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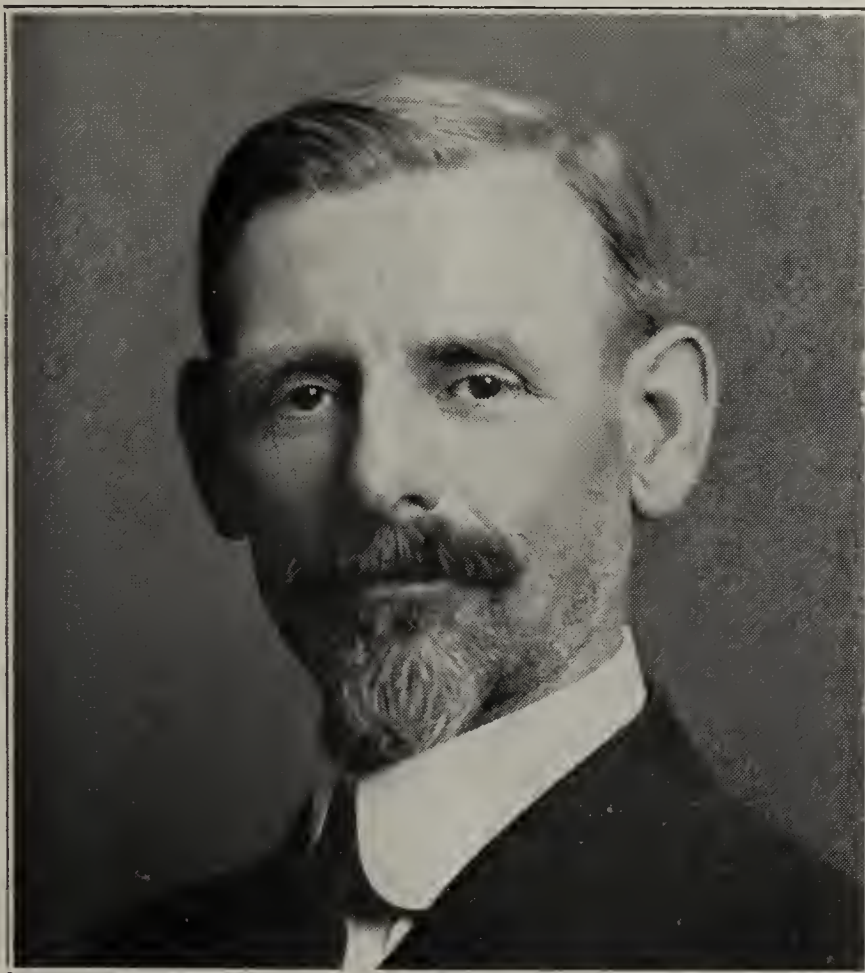
Convention Number of The North Dakota Banker

OFFICIAL JOURNAL OF THE NORTH DAKOTA BANKERS ASSOCIATION

Vol. III

FARGO, N. D., JULY, 1915

No. 10



MR. W. D. McCLINTOCK
President Merchants Bank of Rugby
President North Dakota Bankers Association



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FARGO, NORTH DAKOTA

The North Dakota Banker

PUBLISHED MONTHLY

Vol. III

FARGO. NORTH DAKOTA, JULY, 1915

No. 10

Proceedings of Thirteenth Annual Convention

Bismarck, N. D., June 16 and 17, 1915

WEDNESDAY, JUNE 16, 1915

10:00 o'clock A. M.

Mr. J. J. Nierling, President:

The Convention will please come to order. If you will all kindly rise, we will have the invocation by Rev. Dr. Harris.

INVOCATION

(By Rev. Charles W. Harris:)

"Almighty God, our Heavenly Father, at the beginning of this Convention we invoke Thy divine blessing. We thank Thee for the revelations of this new world that include the beauty which is unfolded before us on every side. We thank Thee for Thy wealth, the wonderful riches that have been displayed before us, and that we have had some little part in giving that wealth unto others. We thank Thee especially for those spiritual blessings of which we are apprised in our hearts; and we ask of Thee now that Thou would especially give us guidance in regard to those affairs in which we are so deeply interested. We ask that Thy blessing may rest upon this country, upon the President of the United States and upon the Cabinet. We pray Thee to protect our land from war, and we ask Thee to grant that Thy blessing may rest upon us in all our national affairs. We ask it through Jesus Christ, Our Lord. Amen."

Song—"America", sung by the Convention.

The President:

"I take great pleasure at this time, and it is an especial privilege and honor to me to be able to introduce to you that distinguished citizen, Governor L. B. Hanna, who will give us the address of welcome."

Address of Welcome.

Hon. L. B. Hanna:

Mr. President, Ladies and Gentlemen:

"I want to read the little address that I have here, of welcome today, for the reason that there are one or two matters in it that I want to bring before the bankers of this state, and in order to have it so that it would be exactly as I said it; and there are one or two matters that I would like to ask that the bankers generally take into consideration; and so with your permission I will just read this address.

"Bankers, you are meeting here today at the Capitol of our State and it gives me a great deal of pleas-

ure, as Governor of this Commonwealth, to welcome every one of you to this city.

"To a large degree the progress of a state depends upon the conservatism, the good judgment and the character of the men who are at the head and in control of its banking institutions. It is not alone necessary that a bank or banker should be solvent, but it is necessary beyond that that the men in control of the banks shall be men of character, integrity, and of standing in their communities. When the federal government or the state of North Dakota grants a charter to a set of men and permits them to open up a bank in our state, then the federal government or the state practically and at least in a moral sense, recommends to the people the bank as a safe institution in which to deposit their funds.

Helps Community.

"Every community is dependent largely upon the bank or banks in their community, much more so than the average citizen really understands. A bank if wisely managed and if the loans made to its customers are carefully made, so that while granting to the customer credit at the same time making the loans in such a conservative way that the borrower can and will be able to pay, then the bank is an institution that will help to build up its community. It is a surprise to anyone who will study the question to realize how much money there is in the community, and money that were it not for the bank would be absolutely idle, non-productive and non-useful. The bank gathers together the money from the individuals and then as has been found by experience, only a part of the individuals use their money at the same time, and that permits the banker to loan a certain portion of its deposits and thus keep the business of the community moving and gives to the bank funds with which to accommodate the farmer and business man.

Doing Good Work.

"I am glad to welcome the bankers here today, because I believe they are doing a good work for the people of our state in conserving and handling the funds of the people and helping in many ways to build up our state. The bankers have been among the foremost of those citizens who have pushed forward the better farming movement, the building of silos, the encouragement of immigration into the state, the building of good roads and in fact every public wel-

fare of our state. The bankers of North Dakota have been in the front ranks in helping to push forward every good movement that will tend to help build up North Dakota.

Silver Service.

"I wish personally to thank the bankers of the state who so generously came forward and helped to make up the balance of the fund necessary to pay the amount remaining upon the silver service which has been presented to the Battleship 'North Dakota.' A part of the shortage was made up by and through the generosity of the order of the Knights of Columbus and by the order of Elks, and the balance by the bankers of the state.

In Interest of Banking.

"There is one matter that I wish to touch upon briefly and that is this: About two years ago the State Banking Board passed a resolution which was practically in these words, 'that thereafter no charters for banks would be authorized by the Banking Board if the Board in their judgment believed that there were more banks in the community than there should be, or that more charters were being applied for than there should be, and further, that the men applying for charters must be men of reputation, of integrity and of financial worth.' In the two years that this resolution has stood upon the records of the State Banking Board, the rule has been pretty well lived up to, although many times the Banking Board have had to face a difficult situation. It is not an easy matter when men come before the board asking for a charter to turn them down. Many times men come before the board saying that the business of a town will warrant more than two banks. It has been the practice and custom of the Banking Board to grant at least two charters in every town so that there may be competition. When the board passed this resolution, it was because they believed it was for the best interests of the depositors as well as stockholders of banks that the number of banks permitted in any community should only be of a number sufficient for the needs of the community and not to over-bank the town. Where there are too many banks, the tendency is to loan money too freely and on inadequate security, and to do that is always a menace to people who have deposited their money in the banks, as it necessarily weakens the banks, and the greatest trouble the Banking Board have had to contend with in the last two years with weak banks has been as a rule in towns that have been over-banked.

Been a Detriment.

"This has been to the detriment both of the stockholders and also of the depositors. The Banking Board have felt that in endeavoring to enforce this rule that they have not had the support of the banking fraternity in the state as they should have had. It is no object in a personal way for any member of the Banking Board to hold down the number of applications for charters, nor the number of charters that may be granted upon application. I believe that I am the only one interested in a financial way in any banks in the state and I am only interested either directly or indirectly in five banks and they are all in the extreme eastern part of North Dakota. Without the active and hearty co-operation of the bankers, it is an uphill fight for the State Banking Board to attempt to hold down the number of charters, and I believe that there is a sentiment among the members of the board today that unless they can have the active and hearty support of the bankers themselves

that it would be wise to rescind the resolution and to grant every charter where the application is made according to law. I wish that you bankers in convention assembled would consider this matter seriously, and not pass any perfunctory resolutions, but if anything is done to take action in such a way that it will really mean something and give the Banking Board some foundation upon which to stand, and that the bankers themselves will and shall stand solidly back of the Banking Board in the enforcement of the rule.

Outlook Promising.

"I hope and believe that your visit here will be a most pleasant one. There will be many subjects brought before the convention for consideration and I can hardly understand why any bank in North Dakota, either national or state, should not belong to the Bankers Association of our state. The association is for the benefit of all and for the small expense that it is to the individual bank, it is worth many times the amount. I believe I can say this because I have been connected and interested in the State Bankers Association for many years, know it has been a power for good in the state and it should have the solid and unanimous support of every banker within our commonwealth.

"The promise and outlook for the year in North Dakota is at present a good one and I sincerely hope that when the harvest shall have been gathered that the results here in North Dakota will be all that the banker, business man and the farmer may hope and wish for. We have a great state, a state with a great future and a state that we can all be proud of and it gives me a great deal of pleasure today, as Governor of North Dakota, to welcome you to the Capitol City of North Dakota."

(Applause!)

The President:

"We have with us our Vice President, Mr. W. D. McClintock, who will respond to the address of welcome."

Mr. McClintock:

Mr. President, Members of the North Dakota Bankers Association, and Ladies and Gentlemen:

"Governor Hanna, on behalf of the North Dakota Bankers Association, I desire to thank you for your words of welcome. I will say that my acquaintance with Bismarck began a little over twenty-five years ago. I remember a little circumstance that came up at that time. You all know or have heard of Senator Jud. LaMoure. Well, everything didn't always go to suit Senator LaMoure at Bismarck, and on one occasion when dissatisfied he remarked that he would have to move the Capital down to the settlement—a term he used, meaning Pembina, Hillsboro or something like that. I remember talking that over with a friend of mine one day and I said: 'It would be a shame to take the Capital away from Bismarck because they have got nothing else.' That today seems to have displayed considerable ignorance. It shows that I felt kindly towards Bismarck since I didn't wish to have the Capital taken away as long as they didn't have anything else.

"I don't believe that the eastern part of the state ever has or does at this time appreciate the advantages and the natural resources of this section of the state. They have the best resources for clay manufacture in the state; they have the Missouri River; and I was talking to a gentleman from Stark county and he said they have never had a total crop failure in that county, and that was a surprise to me because I know—I was going to say that we have crop failures occasionally.

Capital and Surplus, \$200,000

U. S. Depository

The First National Bank

of Bismarck, N. D.

INVITES reserve accounts from banks throughout the state and in policy will extend the maximum of liberality consistent with sound business principles.

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PRESIDENTJ. L. BELL,
VICE-PRES.FRANKE. SHEPARD,
CASHIERA. J. ARNOT,
ASS'T CASHIER

I am very much pleased with my experiences in Bismarck so far. I have met many very nice people here and know that they are very hospitable. I am sorry that I cannot take up more time, but the meeting was late—I rather feel it was because my name was on the program and the delay was to keep me from talking too much.

“On behalf of the Association I accept the Governor’s welcome and wish Bismarck all kinds of success in making a bigger, better city. I thank you.”
(Applause!)

The President: “Next on the program is the annual address of the President, and I sincerely trust that you will have some patience and overlook perhaps many things that he might have done or might have said.”

THE PRESIDENT’S ADDRESS

(By J. J. Nierling.)

“It is indeed gratifying to me to be able to say that during the past year our Association has made unusual progress and development, all of which is due to the activities of those members who so willingly and ably co-operated in the work assigned them. This has proven highly beneficial, not only to our Association, but in its relations to the state.

“The Secretary of our Association has been faithful and energetic in the performance of his duties, and is entitled to your gratitude and commendation.

“The success of any organization or association depends on its membership, not so much on number, as on activity and sincerity; on the co-operation of its officers for the promotion of the cause for which such association stands.

Broad and Liberal.

“We must be broad and liberal in our work along this line, not confining our efforts and energy entirely to the upbuilding and development of our own business, but co-operate with all other legitimate industries of this great commonwealth.

“During the past year questions of serious import have been raised for our consideration and solution, and no opportunity has been lost, either by this organization or its members, to impress upon the public the necessity of exercising those principles of public welfare which stand for stability and the ultimate success of sound business policies.

Too Much Energy.

“Too much energy is being exerted on the part of our law-makers, both state and federal, for the control and restriction of business, to the detriment of our communities, state and nation. While I am in favor of restrictive legislation as to corporations and other business, I am opposed to disregarding those agencies which have been most efficient in promoting the welfare and onward march of our country; where formerly individual effort and disjointed interests were the instruments employed, now co-operation, both of capital and individual, must take their place. A liberal and fair margin should be given those ready to put forth their energy and capital in the development of this great state and nation, for the benefit of its people.

“The bankers of this state should stand fearlessly for such legislation as is for the benefit of the masses, and not allow the politician to use them as a buffer for their own selfish purposes. This state is dotted over with banks, usually managed by men of prom-

inence and influence in their communities, and their appeals to the home Congressman and legislator may be made more effective by active participation in their campaigns than by a passive acceptance of indifference.

Intransition Period.

"This state is now at a point of great transformation, much of it due to the persistent co-operation of the bankers, such as the introduction, more generally, of diversification of agriculture, which is taking a leading place. The successful raising of corn and alfalfa the past few years, in addition to other products, has demonstrated to us the great possibilities of this state. In the very near future I look to see this commonwealth of North Dakota second to none in the production of corn, alfalfa, hogs, dairy products, and live stock of all description in addition to other agricultural industries. It behooves every banker to help, support and encourage this, the greatest industry of the state. By so doing is the upbuilding of a staple, sound and permanent asset, to every banking institution. The success of a banker is through the success of his customer. The idea would be absurd that a banker could hope to thrive under any other condition than the success and prosperity of a community.

New System of Banking.

"The past year practically a new system of banking has been launched in the Federal Reserve Bank, which is now in operation and ready to serve the cause for which it was created. I am satisfied that this institution will be of invaluable service and good to our financial system, but am also convinced that a great deal of modification of the law as it now stands will be necessary, giving greater powers to the Boards of the District Reserve Banks in order to enable them to properly serve their community. Conditions in every district vary, and no set rule or law can be made successfully applicable to all districts. I am also of the opinion that the modification of this law, as to legal reserve, should be to the extent of permitting permanently, a reasonable percentage of the deposits for legal reserve in a correspondent bank, as under the old system. This would have a tendency to keep the country banker with his colleague in the cities more in touch with the business of each other, and more of a tendency to co-operate for the interest and welfare of the country; also would bring together more closely the relations of all banking institutions. This would not defeat the purposes and powers of the Federal Reserve Bank. The principal object of this plan is to add stability to our banking system by devising a remedy that will alleviate the periodical stringencies to which business in this country was subjected, and to prevent disastrous panics which followed. This purpose could be served equally as well by the co-operation of its members who might be permitted to carry a portion of the legal reserve of its customer. The greatest preventative of disastrous panics is the confidence of the masses. This I believe the system will in a great measure bring about. For member banks to be able to derive the benefits offered, a system of education and preparation is necessary, in order to enable them to know the class of paper eligible for rediscount, and in accepting such paper, to be prepared to conform with the act for rediscount.

Big Insurance in Force.

"No doubt most of us are fully informed regarding the organization of the North Dakota Bankers Mutual Casualty Company, which has been organized

and incorporated under the laws of the State of North Dakota and under the auspices of the North Dakota Bankers Association. The company has been in operation less than a year, and during that period nearly a million and a half burglary insurance has been written for its members at a premium much less than the rates exacted by the old companies, previous to our organization; the protection under this association being equally as good with a more liberal policy and stronger reserve. It is gratifying to report that no loss has occurred during the period of its operation.

"There are at present 706 bank organizations and trust companies in this state, representing total deposits of approximately \$89,000,000. Taking the last official census of our population, with the subsequent increase, there are practically 125,000 adult males, the wage earners and bank depositors of the entire state. The average deposit in the North Dakota banks is therefore seen to be fully \$710 per adult male inhabitant. This is beyond any question the largest per capita of deposit of any agricultural state in the Union. It is one of the most significant tributes to the wealth producing capacity of North Dakota that could be shown.

"It may not be out of place in this connection to call the attention of our law-makers, and others, to the fact that the same comparatively small number of bank depositors are also the same people who pay by far the greater cost of our state government, and also who maintain our state institutions, in addition to paying their municipal and county taxes.

Urges Economy.

"This comparatively small number of North Dakota tax payers, many of them still struggling to get firmly on their feet, should furnish a powerful appeal to the members of the legislature not to indulge in extravagant state appropriations or to place any unnecessary burdens on the present tax paying portion of our population.

"All except 90 of our banks are members of the Bankers Association, sharing the advantages and benefits to our members, of which the non-members, through the influence of the Association, also share a part. I firmly believe that those banks which are not members would further benefit themselves by becoming one of us, and assuming their share of the burden which is small compared with the benefits to be derived therefrom.

Boosts Magazine.

"The North Dakota Banker, a monthly magazine, published by the Association free to its members, is worth the membership, for the valuable banking information furnished by the members as well as for the published opinions of the Association attorney, submitted each month, on legal questions relating to our business.

"The people of the state in their behalf have secured comprehensive and efficient laws regarding the establishment and operation of banks, which laws are designed to safeguard the depositors and also to throw protection around the bankers themselves in all legitimate transactions.

"I desire to congratulate our Association and the people of the state on the fact that no failure or suspension of any bank has occurred in this state during the past year. Nothing can speak more eloquently of the general sound condition of our banks or give greater assurance for the increased confidence on the part of the public in the banking enterprises of North Dakota.

"The legal rate of interest has also been reduced in

Fort Dearborn National Bank

Chicago, Illinois

Capital	:	:	:	\$ 2,000,000.00
Surplus and Profits	:	:	:	1,000,000.00
Deposits	:	:	:	31,000,000.00



Comparative Showing of Deposits

February	14,	1908	-	-	-	-	\$ 9,887,954.84
February	5,	1909	-	-	-	-	11,617,691.24
March	29,	1910	-	-	-	-	15,041,357.21
March	7,	1911	-	-	-	-	21,574,956.79
February	20,	1912	-	-	-	-	26,207,446.32
February	4,	1913	-	-	-	-	30,449,714.20
January	13,	1914	-	-	-	-	29,727,922.06
December	31,	1914	-	-	-	-	29,531,375.00
March	4,	1915	-	-	-	-	29,844,165.94
May	1,	1915	-	-	-	-	31,803,027.83

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 WM. L. McKEE, Assistant Cashier H. LAWTON, Mgr. Foreign Department

We particularly desire accounts of banks. Our officer in charge is personally acquainted with conditions in your section. We know your wants and wish to serve you.

the interests of the public during the present year. But with every precaution taken by our laws to protect depositors it is plain to all intelligent men that the closest examination of a bank's securities by state or national examiners is not, and cannot in the nature of things, be an absolute guarantee of the soundness of the bank. So much more than is the success and reputation of our banks dependent on the bankers themselves, and on their personal care and attention to the principles of sound banking.

Duplication of Banks.

"There has been some criticism concerning the establishment or duplication of many banks with small capital in the little villages of the state. But in the development of the new portions of North Dakota the function of the small banker has been the salvation of many a poor settler, who has been put on his feet and helped along the high way to independence and prosperity by the banker of his locality; thus also adding to the real wealth, the permanent population and the taxable property of the state.

"In this connection it is unnecessary to remind the members of our Association that while it is the province of the bankers of North Dakota to encourage public enterprises and aid in establishing new industries that develop the community and the state, the main responsibility and duty of the banker is to safeguard the interests of his depositors. The same careful protection is due the small depositor with his savings and earnings as the large customer with thousands of dollars given over to our trust. And next to this responsibility is the guardianship of the interests of those associated with us as share-holders in our business enterprises and who hold us in their

business confidence. A strict observance of these first considerations of sound banking rules will more firmly establish the banker and his business in the confidence of the public and of investors than any other qualification or advantage he may offer.

Clearing House.

"In recent years a changing relationship between the public and the banks is plainly seen. The fact that the bank now serves as a clearing house for thousands of new depositors who pay their bills and settle other transactions by check, and who never did so before, shows the usefulness of the banks as a community necessity. It also indicates the increased confidence in the bankers themselves. The good business methods involved in this closer relationship between the public and the banks is manifestly helpful and educational to the public itself; besides stimulating habits of thrift and economy and teaching the folly of improvident spending.

Business Prospects.

"The business prospects of the current year are bright in North Dakota, an increased acreage of all kinds of food products has been planted; at present the promise is for a bountiful yield and a profitable year for our people. Their prosperity means greater banking activities and a corresponding increase of our own responsibilities; also requiring a closer acquaintance with the capacity and needs of our own customers, and the resources of the state, whose fullest development largely depends on the intelligent but conservative use of the banking capital we represent. Let us hope the year 1915 will still further extend the knowledge in other communities and other

states that our state is the one of greatest opportunities in the Union for the poor but industrious man, who would escape the thrall of tenancy and become an independent home and land owner or successful business man in the growing towns of our splendid commonwealth. It is a matter of general comment with the residents of the state who have visited other parts of the country during the past year, that there is less complaint among our farmers and business men over the stringency of the times than in any other part of the country. This indicates a substantial condition of prosperity for the residents of North Dakota that must make itself known abroad to our great advantage.

"In addition to the demands upon our time and efforts in advancing the special interests of our own localities and state, we must remember that there are other claims upon our citizenship, claims of a still greater degree and of more far-reaching consequence. As loyal citizens of the United States we have a first duty to perform in steadfast allegiance to our own flag and to what it represents to us as well as to the world at large. We look with profound anxiety upon the terrible conflict now raging in European countries—a war whose aftermath will be a burden on the generations to come, and whose present consequences reach into the transactions of our daily business affairs. We deplore the great loss of human life, the suffering of the living, the destruction of the earnings of industry, in this terrible adjustment of conditions, which we may be thankful, does not yet apply to us. As a peace-loving nation pledged to extend the greatest individual privileges and liberties to all our citizens consistent with national safety, we cannot but contemplate the results of this present gigantic struggle as a threatened danger to ourselves, and to the ideals of civilization and peace which have become a part of our national existence, and on which foundation Liberty has raised its proudest pedestal. Through our regard for the highest standard of civilization there are sympathies that appeal strongly to us for the exercise of humane considerations in the conduct of war, and any proper protest upon our part that might lessen the atrocities and horrors of warfare we need not hesitate to make. But manifestly, the first duty of American citizenship in connection with this foreign war, in which all combatants are our friends, is to maintain the impartial neutrality of our government in every public act and purpose.

"In conclusion, I wish to thank you for the honor conferred upon me in the election of president of this Association, and desire to say that after discharging my official duties, if I can be of any further service as a member in your organization, I hope to have the privilege of rendering it."

(Applause!)

Mr. Cathro: "I move that the address of Governor Hanna be made a part of our permanent record, and that that part referring to the State Banking Board be referred to a special committee to carefully consider the same; and further that the committee consist of thirteen members, made up of one from each judicial district of the state, so that we have the membership distributed; and, further, that that portion of the President's address relating to new banks and sound banking rules be referred to the same committee."

Mrs. Bacheller: "I second the motion, and I further wish to endorse the President's address and that part of it in regard to neutrality."

(Applause!)

Mr. Cathro: "I accept the amendment."

Motion carried.

The President: "The next thing will be the annual report of the Treasurer and Secretary, and since those reports were printed in full in the June issue of The North Dakota Banker no doubt we will be justified in omitting the reading of these reports. The next will be the report of the Executive Council, by Mr. Crawford, Chairman, of Sentinel Butte."

Report of Executive Council.

Mr. President, Ladies and Gentlemen:

"I did not know that at this time it would be necessary to make a report of the work of the Executive Council. It has been customary in the past for the Executive Council to meet once in each year, usually in Fargo. The Executive Council is made up of all members who are past presidents of the Association, and of one member from each judicial district of the state. The work consists of taking care of such matters as arise and of recommending to the Association such matters as may be up before the committee. Unfortunately, I was unable to be present at the meeting of the Council in September. I regret not being able to meet with them there at that time, but the committee itself did good work, as it always has done in the past, and without going into detail as to the work which was done at that meeting, or of any other meeting, I will say that as Chairman of the Council I was so far away that it was impossible for me to get to Fargo to the meetings as often as I might have done and the work has been left largely in the hands of our chosen Secretary and Mr. Macfadden and other officers. During the time I have worked with the Council the committees that have been appointed have always responded generously with their time and their efforts, and it is to the committees largely that we owe for the work that has been done by this Association. I take this occasion to commend them for that good work."

The President: "The next thing will be the report of the standing committees. The Committee on Legislation."

Mr. Macfadden: "I do not believe there is a member of the Legislative Committee present. The Chairman of the committee sent in a report which is quite lengthy, and to save time I will read that part referring only to bills considered and passed at the last legislative session."

Report of Legislative Committee.

Your committee on legislation appointed at the last convention felt that you had entrusted an important duty to them and they tried to fulfill that duty to the best of their ability.

There seems to be a standing prejudice against anything asked for in the way of legislation by the bankers of the state, which exists each session in the minds of the majority of the legislators. In taking up our duties at the last session we felt that this prejudice was largely unwarranted and very often unreasonable and unjust and that it would be to the interest of the members of the Bankers Association for some member of our committee to be at Bismarek during the greater part of the session, more to meet the legislators and endeavor to overcome this prejudice rather than to ask for any special legislation in behalf of the banks of the state, and our efforts were therefore tried along this line.

Believing that many of our differences arise from the fact that we do not understand each other we felt that it would be legitimate for at least one of our committee to be at Bismarek during the session and endeavor to point out the effects of such legislation as was contemplated in which the banks of the state

THE FIRST NATIONAL BANK OF GRAND FORKS, N. D.

CAPITAL AND SURPLUS - - \$250,000.00

With large resources, and otherwise well equipped to handle bank accounts, we invite the business of banks desiring prompt, efficient and satisfactory service. Especially to banks located in the north half of this state is our service of value.

OFFICERS

S. S. TITUS, President

A. I. HUNTER, Vice President

J. R. CARLEY, Cashier

were interested, and we believe our efforts met with some success as in several instances a frank explanation of what may be accomplished by certain classes of legislation was of assistance to the legislators and was appreciated by them.

The first bill that confronted us at Bismarck was the bill to reduce the legal rate of interest. This met with no opposition whatever on the part of the committee as the number of banks holding paper drawing a greater rate of interest than ten per cent is quite limited. The bill passed with very little opposition from any source, reducing the rate to ten per cent.

per cent in place of twelve as it formerly has been.

Your committee felt that the legislature should also consider a bill fixing the legal rate to be paid on certificates of deposit and limiting the rate, but such a measure did not seem to meet with any favor and was not introduced.

The Governor, in his message to the legislature, recommended that the minimum capital requirements of the state banks in small towns be raised from \$10,000 to \$20,000. Your committee favored this. This same thing had been tried during every session for at least the past eight years, but it was always turned down by the farmer members of the legislature, who are always in the majority. They claimed that it would shut out the little fellows. The same arguments were used the past winter, but a compromise was reached and the bill became a law fixing the minimum at \$15,000. This was passed about ten years too late.

Another question of importance came up; the question of reserve requirements of state banks. This came up as a direct result of the Federal Reserve Act

passed nearly two years ago, which reduced the reserve requirements of national banks. The state banks then insisted that the requirements of state banks as against national banks be made more equal. Several bills were proposed, but the one which met with most favor and which finally passed, was House Bill No. 166, introduced by Mr. Burgett, a banker, which reduced the reserve on time deposits from 20 per cent to 10 per cent, and left the reserve on demand deposits as it had been for some years. Many bankers over the state favored a reduction on time deposits to 5 per cent, but this met with disfavor in the legislature. We believe the majority of the bankers of the state are satisfied with the ten per cent reduction.

The subject of immigration also received our attention. The Executive Council of the North Dakota Bankers Association at a meeting held in Fargo in December last, passed a resolution instructing the legislative committee to work for an appropriation of at least \$25,000 for immigration purposes. We found the legislators generally in sympathy with this move. Senate Bill No. 194, by Hyland, now a law, takes care of this problem very nicely. It creates a Board of Immigration and provides \$60,000 available during 1915 and 1916. You are all more or less familiar with this law, so it is not necessary to go further into its provisions.

House Bill No. 108, by Ployar, created much opposition, but was finally passed. It makes the drawing of a check without funds a misdemeanor, punishable by a fine of \$100 or imprisonment in the county jail. It is a good law and will give us a chance at the crooks who are making such practices a regular business, without interfering with the merchant or

farmer or any man who does not intentionally try to defraud.

House Bill No. 331 relates to moneys and credits. Under the law existing for some years moneys and credits were taxed on the same basis as other personal property. The rate of taxation varying in the various districts of the state from 5 per cent to 25 per cent. This rate made it confiscatory, and persons have invariably refused to report moneys and credits to the assessor and the assessors have largely ignored this provision of the old law. The rate fixed by the legislature in the new law is two mills. The legislative committee was very active in securing proper amendments to this bill, but we believe the bill as finally passed will meet a long felt want. No doubt citizens who own moneys and credits will now voluntarily report such property to the assessors.

Senate Bill No. 36 and House Bill No. 449 were bills providing for a tax on franchises of both foreign and domestic corporations doing business in the state. In opposition to these bills there came many telegrams and letters to the members of the legislature, urging that their influence be used to kill the bills, and brought out among the members a diversity of opinions as to the merits and demerits of the enactment of such a law.

Senate Bill No. 36 was passed by the senate and killed in the house while House Bill No. 449 was passed by the house and lost upon its final passage in the senate. It appeared to your committee that the enacting of such a law as was contemplated in either of these bills was detrimental to the encouragement of capital and investors coming into the state and the retaining of those that are at present doing business within the state, and for that reason used their influence to defeat the measures.

As usual, the legislature had a tussle with a Bank Guaranty Bill. The bankers of the state are almost as a unit opposed to such a law, in view of the Oklahoma experience. Many bankers wrote your committee to oppose the bill, and I cannot remember one instance in which a banker favored it. Your committee worked against the bill. The bill was handicapped because it was introduced late in the session and because all of the members of the house committee on Banks and Banking were opposed to it, except one. The bill was introduced in the house and was defeated by that body. It provided among other features, that state banks be assessed for the purpose of creating a depositors' guaranty fund. Your committee believes that this question will come up again during the next legislature. Some member during every session insists on trying to do something that appeals to the popular imagination. Many well-meaning people, who have given such a proposition only superficial thought, believe in it. We respectfully caution the Bankers Association to be on its guard two years hence, to defeat such a bill if introduced, or have it in such form that it will not be harmful.

A bill was introduced, which was favored by the committee, relating to the interests of landlord and tenant in crops produced on rented land. The bill was defeated in the Committee on State Affairs in the senate, and we believe its defeat was due to a lack of knowledge on the subject. As redress is possible only through the legislature, we hope the committee in charge during the next session of that body will make an effort to get the necessary relief.

Another bill was introduced which, if passed, would define more clearly the rights of a mortgagee in the *increase* from mortgaged stock. Chattel mortgages usually cover the increase from mortgaged stock, and

if our stock interests should continue to increase in the future, as we hope they may, this subject will become even more important. We are sure every banker in the state would like to know how good his increase clause really is, and we recommend this matter to our successors in office as worthy of consideration.

Senate Bill No. 214, by Sandstrom, prohibits carrying concealed weapons, "either fire arms loaded or unloaded, or any sharp or dangerous weapon usually employed in attack or defense of the person" or carrying concealed "nitro-glycerine, dynamite or other dangerous or violent explosive" or having the same in custody, possession or control "unless such instrument, weapon or explosive is carried in the prosecution of or to effect a lawful and legitimate purpose." The law also provides that "the possession, in the manner set forth, of any of the weapons or explosives mentioned therein, shall be presumptive evidence of intent to use the same in violation of the Act."

The Act makes such carrying, concealing, etc., etc., a felony and provides penalties as follows: "Any person upon conviction of violating the provisions of this Act, shall, in the discretion of the Court, be imprisoned in the State Penitentiary not more than two years, or in the county jail not more than one year, or by a fine of not more than one hundred dollars, or by both such fine and imprisonment."

This law is aimed at the professional criminal who always goes armed and prepared to take life if necessary to obtain his ends.

Quite frequently such criminals are arrested with all the evidence of their profession on their persons, but owing to the inadequacy of our laws heretofore nothing could be done but release them.

Senate Bill No. 214 was passed apparently without much opposition. It prohibits the carrying of concealed and dangerous weapons, making it a felony, and providing a fine of \$100 or two years imprisonment, or both fine and imprisonment. This law will result in direct benefit to the bankers of the state. Under the old law a man could not be held until he had actually committed a crime. The new law compels a man who is caught "with the goods" to prove what he intended to do with them. The state already has a fine record, and has been comparatively free from bank burglaries, and this new law affords even greater protection.

House Bill No. 11, by Burnett, provided for a registration tax on real estate mortgages, and we believe was copied largely from the Minnesota law. We were opposed to the bill but found a diversity of opinion on it. Some bankers favored it, claiming it would make the farm loan more stable and attractive to the eastern investor, as the registration tax, once paid, would exempt the mortgage from further taxation. There was also much discussion as to whether the borrower or the lender would pay the tax. The bill had strong friends and bitter enemies, and was beaten back and forth the greater part of about five weeks, and finally died after a hard struggle in the Senate Committee, much to our satisfaction.

The bill permitting state banks to join the Federal Reserve System was passed without opposition. State banks having the required capital may now enter the system.

Another bill passed without trouble was one fathered by the State Examiner. It provides a penalty for making a false statement to the banking department, or false entries on the books of an association to deceive the Examiner. We suggest that the bankers familiarize themselves thoroughly with the provisions of this law.

In conclusion, your committee want to thank the officers of the Association for their co-operation, and the members of the Association for their help and assistance, all of which has been a great help to the committee. Without this co-operation your committee would have found its work hard and probably without great benefit; with this help we found the work comparatively easier, and the result will probably bear fruit for the Association.

Respectfully submitted,

J. N. Kuhl,
Will Freeman,
H. H. Steele.

Committee on Legislation.

Dated Bismarck, N. D., June 16, 1915.

The President: "If there is no objection the report of the committee will be adopted as read. It is adopted. The next will be a report from the Committee on Burglary Insurance and Bonds."

Report of Burglary Insurance Committee,

Gentlemen of the Convention:

This report will be naturally a "double-header", covering the work of the Insurance Committee and also that of the North Dakota Bankers Mutual Casualty Company, of which latter company I have the honor of being president.

Referring to our report at the Williston Convention, which was fairly complete as to the advisability of organizing a mutual company to care for burglary insurance business of our members, it was unanimously voted by this General Association at Williston that the Insurance Committee be authorized to organize the Mutual Burglary Company and pledging thereto the support of this Association.

After several preliminary meetings the Committee applied for a charter to be issued by the Insurance Department of the State of North Dakota, which charter was duly granted after proper examination by the Honorable Insurance Commissioner of North Dakota. Accordingly, on September 1, 1914, the North Dakota Bankers Mutual Casualty Company was organized and launched. The meeting was held in Fargo, and the following directors elected: Nierling, McDowell, Crawford, Quamme, Earley, Macfadden and Beckwith. The proper By-Laws were enacted and the following officers elected from the board of directors:

President—H. P. Beckwith.

Vice President—W. C. McDowell.

Secretary—W. C. Macfadden.

Treasurer—J. J. Nierling.

The organization completed, we started in to do business.

It was necessary to have a guarantee fund, therefore Secretary Macfadden circularized all our members as to subscriptions to the guarantee fund with the result that 165 of our good members responded in subscriptions ranging from \$50.00 to \$300.00 each, making a grand total of \$13,050 in this guarantee fund. Each of the banks subscribing to this fund have the notes of the corporation bearing 6 per cent interest and for which said banks have issued their certificate of deposit bearing 4 per cent interest. Besides this guarantee fund of \$13,050 we have accumulated as per statement below, the sum of \$5,211.97 cash on hand and premiums due and uncollected, making a grand total of \$18,261.97, as a reserve or guarantee fund for the payment of any loss which may be sustained on outstanding risks.

THE NATIONAL PARK BANK OF NEW YORK

Organized 1856

Capital	-	-	-	-	\$ 5,000,000.00
Surplus and Profits	-	-	-	-	15,000,000.00
Deposits, (May 1, 1915)	-	-	-	-	120,000,000.00

OFFICERS

RICHARD DELAFIELD, Pres.	GILBERT C. THORNE, Vice-Pres.	JOHN C. McKEON, Vice-Pres.
JOHN C. VAN CLEAF, Vice-Pres.	WILLIAM O. JONES, Vice-Pres.	
MAURICE H. EWER, Cashier	GEORGE H. KRETZ, Mgr. Foreign Department	
ASSISTANT CASHIERS;		
WILLIAM A. MAIN,	FREDERICK O. FOXCROFT,	LOUIS F. SAILER,
J. EDWIN PROVINCE,	WILLIAM E. DOUGLAS,	ERNEST V. CONNOLLY,
		HENRY L. SPARKS

DIRECTORS

STUYVESANT FISH	CHARLES SCRIBNER	EDWARD C. HOYT	W. ROCKHILL POTTS
AUGUST BELMONT	RICHARD DELAFIELD	FRANCIS R. APPLFTON	CORNELIUS VANDERBILT
ISSAC GUGGENHEIM	GILBERT C. THORNE	JOHN C. McKEON	RICHARD H. WILLIAMS
THOMAS F. VIETOR	EDWARD C. WALLACE	EDWIN G. MERRILL	JOHN G. MILBURN

That the company may forge ahead as in the past, the Board of Directors may ask our members subscribing to the guarantee fund to renew the same for another year in order to keep the company in an unquestionable safe and sound financial condition. The interest on notes of course will be paid promptly at maturity and your directors hope to have a unanimous response to this feature of the business when asked for.

Business Written.

334 Policies written, amounting to.....\$1,440,250.00
Total Risks Re-insured, amounting to.... 651,450.00

Net total amount carried\$ 788,800.00

FINANCIAL STATEMENT.

Receipts.

Total Premiums received.....\$ 6,548.58
Commissions received on re-insurance..... 136.65

Total receipts.....\$ 6,685.23

Disbursements.

Paid for re-insurance.....\$1,301.53
Premiums returned and other
disbursements 171.73

Total disbursements.....\$1,473.26

Total disbursements\$1,473.26 \$ 1,473.26
Net income \$ 5,211.97

Cash on hand and with Treasurer.....\$ 4,713.98
Premiums due..... 497.99

\$ 5,211.97
C. D's in Guarantee Fund..... 13,050.00

Grand Total Assets.....\$18,261.97

As stated in our report a year ago when the proposition to organize the company was placed before you, that if the company was organized and began to write business a considerable proportion of each risk would be re-insured in order to insure full protection to the policy holders.

We write business at the manual rates which include the 20 per cent territorial and 20 per cent special discounts which we have been able to obtain for North Dakota bankers through the effort of the Committee and the organization of the mutual company, and in addition to this we write three-year business for two and one-half times the annual rate if settled or paid for in advance.

Thus, taking into consideration the rates charged some five years ago before this agitation, we can say that the business is being written at about half of the cost of five years ago on the same risks.

Now, this is your company, that is, it is a purely mutual company, organized and operated for your benefit only. The expense has been small as all detail work and actual operations are handled in the General Secretary's office, at a very large saving of expense.

Our directors have been faithful, leaving their own business many times to attend meetings and assist in directing the affairs of the company.

Much of the success of the company is due to your Secretary, Mr. Maefadden, whose untiring efforts and interest in this connection have been most valuable.

The annual meeting of the policy holders, under the By-Laws, will be held early in December, at which time we hope to have a good representation present

and further reports will be published in our official paper.

We ask your co-operation, support, and business, and are firmly of the opinion we can give you "Value Received."

Respectfully submitted,
H. P. Beckwith,
J. J. Earley,
E. G. Quamme.

(Applause!)

The President: "Is the Committee on Taxation here? If so, we would like to have a report from them," (No report.)

The President: "Ladies and gentlemen, we have several times had the pleasure of having with us one of the distinguished American Bankers Association Secretaries. On account of his inability to be here at this time we have received from Mr. Fred E. Farnsworth, General Secretary, the following message, addressed to W. C. Maefadden, Secretary of the Association:

"The American Bankers Association extends most hearty greetings and congratulations to the North Dakota Bankers Association now assembled for its Thirteenth Annual Convention. Best wishes for the most interesting and successful meeting in your history, and prosperity to all during the new year. Sorry I am unable to be with you. Sincerely, Fred E. Farnsworth, General Secretary."

"We have a few more minutes and I am reliably informed that Mr. Bacheller will not be with us tomorrow to give us his address on one of the most interesting topics, I think, that we have, and we will be glad to hear at this time from Mr. Bacheller on the subject of the Creamery Promoter."

Mr. Bacheller: "I find the stenographer gave me two copies. Am I to read this twice?"

The President: "Once ought to be sufficient."

Mr. Bacheller: "I would like to have you look the doors."

THE CREAMERY PROMOTER

(By C. E. Batcheller)

There are at present and have been for generations all kinds of promoters in the land and not the least of these the Creamery Promoter—the good, the inexperienced, and the bad. The time was when the Lightning Rod Man was a much talked of pest, but this individual only perpetrated his doings, and peddled his wares to one man only at a time, and it required much time and talking to get the whole community, but the creamery promoter can gather the whole community of farmers and others at a single throw. How? By either appearing in the town at some opportune time, either when the people have assembled at a farmers institute or by interviewing prominent people of the community, the banker, the merchant, and layman, regarding the prospects of organizing a Co-operative Creamery. The banker, the merchant, and the layman at once became interested, as they realize the continuous growing of wheat and other grains is detrimental to the soil, therefore they become intensely interested—and proceed at once to take an inventory of dairy cows in the community either by calling upon the farmers or in the office or the bank or the store, and very often in the latter two; if 500 cows or more can be listed, then the time is opportune to begin canvassing the selling of stock, until thirty, forty, or fifty or more farmers have signed up \$100 or more, until the nice sum of five or six thousand dollars has been subscribed, whereupon the subscribers are called together and a temporary

organization is effected. A few days later this organization is made permanent, by-laws are drawn up and adopted, officers and directors elected, resolutions adopted to order a full line of equipment for a creamery,—paying an enormous price for the same,—they donate a building site, building operations commence, and within a few weeks everything is in readiness for the milk and cream to arrive; a manager and butter-maker is hired and their salary is always in *tune* with the high cost of living, and everything is in readiness and all serene regardless, however, whether there be 500 cows or not, milking that may be relied upon—and right here, Mr. Banker or Mr. Farmer, what other inquiries or statistics have the organizers at hand as to the facilities in the way of caring for or the feeding thereof, or kinds of feed for these cows in order that they may produce sufficient milk to support this institution so that the patrons may be satisfied to patronize the creamery and not withdraw their support and ship their cream or milk to other markets. During all this time no word has been raised as to the fitness of the farm to maintain a dairy herd. The farmer may or may not have sufficient pasturage for his cattle; he has no other forage crop save prairie hay for feed a large portion of the year—no tame hay, pasture or meadow, consisting of timothy, clover and alfalfa; does not grow corn, rye or millet as forage; has scarcely sufficient feed consisting of oats and barley to feed his horses, and what he has, however, is religiously kept and doled out to the farm horse. Organizations of this nature have been effected all over the acres of our state, and conditions have existed and do exist now in a large degree, unfitting the farm from maintaining and continuously supporting dairy cattle.

I can drive any of my hearers in an automobile

within two hours' time from Fingal and let you gaze upon six structures once called creameries—now silent as the stillness of night and void of the least existence of life. They are as useless as the pyramids of the desert and less comely to behold. Who has been robbed? The farmer, the community and the world, and the promoters and manufacturers themselves. By whom? In a large measure, by the promoter, by his temporary greed for gain. All of this has discouraged the farmer, inasmuch that they still are pursuing the same vocation of grain raising.

The Remedy.

Farmers should be encouraged to fit their lands properly for raising crops beneficial to the dairy cow, and in the interim to equip their buildings sufficiently to protect their live stock from wind, rain and frost, all of which will tend to increase the production to a basis of profit; and further, whenever there are promoters in evidence to promulgate the organization of creameries, the conditions from all sides should be thoroughly canvassed and duly reported to our State Dairymen's Department at Bismarck for further investigation, assuring the farmers that this service is at their disposal to serve them to the best of their knowledge, and when in the future the tide has been turned from the continuous grain raising to the mixed farming proposition, including the dairy cow, may the verse of Margaret Mason be applied.

They have made themselves a pasture where the timid deer would bronze.

Where the antelopes were feeding they have dotted o'er with cows.

(Applause!)

The President: "Before adjournment we have two

American Exchange National Bank

OF DULUTH

Capital, Surplus and Profits \$2,250,000.00

All banking business, whether large or small, receives careful and courteous attention at

THE OLDEST BANK AT THE HEAD OF THE LAKES

SAFETY AND SERVICE ASSURED

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W. G. HEGARDT, Vice-President
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DROVERS NATIONAL BANK OF CHICAGO

Capital and Surplus - - \$1,000,000.00

Has for thirty years rendered quick and efficient service to its correspondents.

RESOURCES OVER \$11,000,000.00

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GEO. M. BENEDICT, Cashier
H. P. GATES, Ass't. Cashier

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WM. A. TILDEN
WM. C. CUMMINGS

L. B. PATTERSON
BRYAN G. TIGHE

AVERILL TILDEN
M. W. TILDEN

JOHN FLETCHER
GEO. M. BENEDICT

OWEN T. REEVES, JR.

committees to appoint, which I will now appoint, that being customary at the opening of the meeting. First is the Nominating Committee, consisting of three members. I will nominate as such committee:

F. A. Irish, of Fargo,
F. W. Cathro, of Bottineau,
L. F. Crawford, of Sentinel Butte.

The Committee on Resolutions:

J. E. Phelan, of Bowman,
M. R. Porter, of Minot,
S. Torgerson, of Grand Forks.

"There are a few announcements that the Secretary wants to make at this time."

Mr. Macfadden: "The committees having in charge the entertainment features want to announce that automobiles will be at the hotels at four o'clock to carry the ladies to the Country Club for the tea which will be given by the ladies of Bismarck; and you are all requested to get tickets at the door as you go out, for the feature film show which will be given in this theatre tonight at 7:15. I also want to announce that the Northern Pacific Railway Company has very kindly arranged to have special cars set out here tomorrow, to be picked up by No. 2 tomorrow night, so that there will be accommodations for all who want to go out on that train.

"There has been some doubt in the minds of some members as to whether Mr. William J. Burns, the detective, will be here or not. We have just received a message from him this morning, which says:

"Will arrive tomorrow night at 11:13 by the Northern Pacific. W. J. Burns."

"This was sent last night, so he will be here tomorrow morning without fail."

The President: "This practically ends the pro-

gram for this forenoon, with the exception that I desire to announce that immediately after adjournment of this Convention this forenoon I would ask all members of the American Bankers Association to remain and meet with us in the front of this hall. When we adjourn we adjourn until two o'clock. I would like to state to the members here that let us be here promptly at two o'clock. While it is usually the custom that two o'clock means about three o'clock, but you are well aware of the program that is outlined by the good people of Bismarck. It would take us nearly three days to do justice to the entertainment alone. Let us be prompt as possible.

"Adjourned until two o'clock P. M."

At the meeting of the American Bankers Association in the absence of Vice President Hollister, Mr. J. J. Nierling of Jamestown, presided. J. L. Bell, vice president of the First National Bank at Bismarck was elected vice president for North Dakota, and President W. D. McClintock of Rugby member of the nominating committee. A resolution was presented recommending the nomination of P. W. Goebel of Kansas City, Missouri, as Vice President at the Seattle Convention, and on motion of F. W. Cathro of Bottineau, seconded by Mr. Beckwith of Fargo and Mr. Batcheller of Fingal, the motion was duly adopted and Mr. Goebel notified by wire of the action of the meeting.

The following telegram was received from Mr. Goebel during the afternoon session:

"Telegram appreciated. Please thank the North Dakota Bankers Association for me.

(Signed) P. W. GOEBEL,
Kansas City."

WEDNESDAY, JUNE 16

2:00 P. M.

The President: "The Convention will please come to order. I will say that the next on the program will be an address that is of great importance and I sincerely hope and wish that every member in attendance here will be here to hear it. The address is on this new Federal Reserve Banking System, and I know that it will be of much benefit to you, individually, as well as to your Association, and I trust that every person who can possibly be in here or can be induced to come in here during this address will come and listen to it. I am satisfied that you will be repaid. The address is to be given by Hon. J. M. Rich, Chairman of the Federal Reserve Bank of Minneapolis."



HON. JOHN M. RICH

THE FEDERAL RESERVE BANK

(By Hon. John M. Rich, Reserve Agent of Ninth District Federal Reserve Bank, Minneapolis.)

"In coming out here to this great state, which is so important a part of the Ninth Federal Reserve District, I have been impressed with the fact that, while in some parts of the world at this time we Americans are accused of being 'money grabbers,' it is after all progress, and not profit, that is our hope and our inspiration.

Personal Initiative.

"The freedom of action, which is granted to every citizen under our constitution, has been the greatest source of our remarkable personal initiative. It has fostered the building up of a healthy independence of thought. The energy and the natural environment of our people have encouraged them to seek efficiency in their personal lives, and in their undertakings.

Nothing else, I think, could so well explain the great progress that has been made in North Dakota, and in all other parts of the West during the last twenty-five years.

"My first business experiences were in this state and I know something of what the earlier settlers had to contend with when they came out to these plains and rolling prairies and made the first attempt to establish an orderly civilization. The hope of progress that animated them has been splendidly realized in the strong and commanding position that North Dakota has today, and in congratulating them upon what they have achieved, one is compelled to think also of what they have made possible in the future.

In Twenty-Five Years.

"The progress and development that is occurring on every hand is such as to compel the thoughtful observer to hesitate in attempting to say what the North Dakota of twenty-five years hence will be like. We may all feel certain that a much greater importance awaits us in North Dakota and throughout this great Northwestern country. These states have already become a solid and substantial part of the Union and if they fulfill their natural destiny, they will become the homes of many millions of citizens in the future, and in these thriving cities and towns there will be built up great commercial institutions, which will be required to satisfy their demands for the natural comforts and conveniences of life.

The Reserve Act.

"In considering the place which the Federal Reserve Act and the new system of banking is to have in the United States, I think the best view point is the one which comprehends what has been done in the past and properly approaches the work that lies ahead of us in the future. We must not consider it solely in the light of present conditions, because present conditions are subject to very rapid changes. The machinery of business which satisfied all requirements yesterday becomes inadequate to the problems of today. As we look forward into the tomorrow of our business and financial life, we must of necessity be strongly impressed with the fact that we must make better and larger plans than before. In American banking and finance this is especially true, and the time has already come when the machinery of credit must be overhauled and made capable of sustaining heavier burdens.

"It is rather surprising to consider the changes that have come about in banking during the past few years. In both St. Paul and Minneapolis there has been a pronounced movement toward the creation of larger and better banks than any we have had before, to serve the tributary territory. The smaller banks, which always perform a valuable service in any community, have been rapidly increasing their strength and their ability to be of service to business. Along with this movement, which was simply a response to the increased commercial and agricultural demands of this whole Northwestern country, there has come the creation of the Federal Reserve Banks. Twelve of these were to be established in the United States and there was a general feeling that the interests of the Northwest were so important that this territory should have its own Federal Reserve Bank, rather than be made a part of the territory assigned to the Federal Bank of Chicago. The organization committee, which had the creation of the various districts

in hand, wisely decided to include Montana, North and South Dakota and Minnesota, which is a natural territorial unit, in a district by itself. In order to provide sufficient banking capital, the north two-thirds of Wisconsin and the Northern Peninsula of Michigan were also included. This territory was set aside as the Ninth Federal Reserve District and was given a Federal Reserve Bank of its own, which the organization committee, after careful consideration, decided should be established in Minneapolis.

"The founding of a strong Federal Reserve Bank in Minneapolis will have the effect, in time, of greatly solidifying and strengthening the banking power of the Northwest. It seems to be the opinion in New York that many of our local banks will reduce their New York accounts, and bring their money back for use at home. The officers of the Ninth Federal Reserve Bank believe that this will transpire and that the effect will be to make the Northwest more independent than before. The establishment of the Federal Reserve Bank has strengthened the hands of all the national banks in this large district and, in giving them a better degree of safety and protection than they have ever had before, will enable them to be of greater service than before to their own home communities.

Gives Reasons.

"To my mind it is highly important that there be a proper understanding of the reasons for the reconstruction of the old banking system. The foundation principles of the Federal Reserve Act are co-operation and service. Co-operation cannot be one-sided. It takes two to make a bargain, and the co-operation that is sought under this new banking act is essentially a bargain between the Government and the banks, under which the Government has agreed that it will extend to all of the banks that join the new system a greater degree of safety and protection than they have ever enjoyed before. It has required of them in return that they extend to the Government their hopeful co-operation in making this new system of genuine and practical service to all of the people of this country. The United States cannot thrive and prosper unless credit is freely extended on every hand to all those who should rightfully enjoy it. The new bank Act will in no way relax the proper banking precautions of the past, nor will it provide credit for those who have no assets but good intentions. The banks and the Government, working hand in hand under this new system, both sincerely endeavoring to realize its best possibilities, will, however, be able to guarantee that there will be no arbitrary interference with credit due to some of the causes that have worked such damage in the past. Until this time each bank in the United States has been an isolated and independent unit. I do not believe there is a country in the world where banks have ever rendered a better service to business or where it has been possible for business men, big and little, to establish credit and obtain proper accommodation. This statement must be qualified, however, by saying that it has applied only to the periods which have been free from panic, financial flurries or stress. Our banking system has done admirable work, but it has been a fair weather system and it has had two vital defects. It has not provided an elastic currency that would maintain a proper relation at all times to the rise and fall of the volume of business in the United States and it has given the banks no place to go to in times of stress or danger.

"In adopting a new banking system we had, therefore, a problem with two distinct sides. Upon the

one hand there was the necessity of creating a close co-operative relationship between banks for their mutual protection and safety. On the other hand, it was imperatively necessary to safeguard the future of this country by enabling all banks to more freely and more liberally serve the business community than in the past. Banking safety and stability depended upon the first phase of this problem and the growth and prosperity of the country upon the second.

"I do not think it is a proper view to consider that the establishment of the Federal Reserve Banks is a revolutionary measure, because it was not the intention to injure banks or in any way to contract or interfere with their functions or the volume of their business.

"In bringing the banking system in this country up to the best standards of the countries of the Old World it was impossible to escape a certain amount of readjustment or to avoid changes in the banking methods of the past. The creation of the national banking system, immediately after the Civil War, was an instance of this, and the law under which national banks have operated so long was viewed with great disfavor by many, for a long period after its adoption. It is probable that the Federal Reserve System will go through the same process of adjustment to conditions, but I am satisfied that those who have had to do with the framing of it are anxious that it shall go into operation with as little jar and friction as possible, and desire to avoid unnecessary interference with banks and banking. I believe they are animated with a sincere desire to make it of real service to the whole country, and understand that to do so, it must first be made of service to the banks that are members of it.

"Vice Governor Frederick A. Delano, of the Federal Reserve Board, addressed an informal gathering of business men and bankers in Minneapolis recently and took occasion to say that it was the hope of the Federal Reserve Board to make the Federal Reserve Act effective by means of friendly and intelligent co-operation rather than by the arbitrary exercise of authority. He indicated a desire to avoid unnecessary interference with banking, and to seek to make the new system a success by making it helpful and valuable to its members.

"Even if banking capital and banking deposits were equitably distributed, or scattered over this country with some relation to the banking service that is to be performed, there would still be serious defects which would have to be cured before business could be sure of having the right conditions at all times under which to enjoy the health and prosperity. In the older countries the necessity for harmony and co-operation among banks has been clearly realized and there is no European power that has not long since placed its banking machinery on a sound and scientific basis. Banks have been linked together and have been given some place to go to in times of stress. Machinery has been provided through which it is possible to prevent panics by massing the banking resources of the country and directing the great power which they represent against the danger points.

Unrelated Units.

Until last year the 27,000 banks of the United States were unrelated units, representing a greater banking power than any other in the world, but entirely lacking in the ability to control or utilize this power in a large way. To have changed this old condition and to have given the United States a sound, and effective banking system is, it seems to me, one of the greatest achievements of the American

people. It would be a mistake to think that the old banking system has been entirely done away with. On the contrary, all of the good features of the old system have been retained and are still in force. The Federal Reserve Act created a new banking system, it is true, but it was a process of reconstruction and reorganization rather than an attempt to begin at the ground and build new. The old system has been given the elements that it lacked and has been completely modernized. The United States has at this time a banking system that will compare favorably with any in the world.

"The purposes of the Federal Reserve System should be clearly understood. It should not be considered that the new banking system was established for the benefit of banks alone, for it was the commercial business of the United States rather than the banking business that needed it most. As I see it, the purposes of the Federal Reserve System are:

(a) To afford member banks greater safety and protection.

(b) To check and prevent periods of panic and stress by providing means for the immediate issue of currency to member banks, and for its redemption.

(c) To create strong secondary reserves in member banks, by making a portion of the loans and discounts of each such bank legally available for re-discount.

(d) To link member banks together and to give them the support of a powerful nation wide system, affording the advantages of the banking mechanisms of the older countries of Europe.

"The first essential in providing better safety and protection to the banking business of the country and in preventing periods of panic and stress was to

establish a system of re-discount, which is a common feature of the banking systems of the Old World. An able English authority once remarked that the quickest way to check a panic is to smother it with gold. If this is to be done, it means that each bank must have a place where it can quickly replenish its cash and there must be a method which will provide every bank with a reservoir upon which it can freely draw whenever there is necessity.

"Re-discount is comparatively simple and means that a bank has converted some of its best paper into cash to meet local demands. This right has been legalized and extended to every national bank in the United States. It has been extended to every state bank, if they will utilize it,—for state banks have been given permission to become members of the new Federal Reserve System, and many of them have already joined, coming in either as state banks or first nationalizing.

"The re-discount provisions of the Federal Reserve Act contemplate that a member bank shall have the right to present notes and bills at the Federal Reserve Bank of its district and there exchange them for new Federal Reserve notes, or take the proceeds in the form of credit on the books of the Reserve Bank.

"Federal Reserve Banks are not permitted to accept for rediscount, notes which are payable on demand, notes given for land, notes given for carrying or trading in stocks and bonds, notes on which the proceeds are to be used for fixed investments or permanent improvements, or notes given for investments of a speculative character.

"Notes and bills of any member bank may be re-discounted at the Federal Reserve Bank of the district when they comply with the following regulations:

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"All such notes must have a fixed maturity.

"All such notes or bills must originate in the current activities of merchandising, manufacturing, industrial operations, the live stock business or farming. Paper given for the purpose of adding to the permanent value of the business or farm are not available.

"All business paper (notes given for conducting any one of the common kinds of commercial or industrial business) must be within 90 days of maturity, or less when presented for rediscount. The rate of rediscount varies slightly in proportion to the length of time such paper is to run to its due date. Notes and bills due to mature in less than 90 days are given a slight advantage in rate. Paper given by the farmer, the dairyman, the live stock breeder, the sheep raiser, or the cattleman is available for rediscount if, *on the date of its presentation* at the Reserve Bank *it is then within six months of its maturity*. When notes based on agriculture or live stock are secured by chattel mortgage, they are available for rediscount on the same basis as other paper, but a certified copy of the chattel mortgage must be attached when they are presented at the Federal Reserve Bank.

"Each note or bill so presented must be endorsed by the member bank making the rediscount, and such endorsement will be taken as sufficient evidence that the bank has exercised due care in selecting, for presentation at the Reserve Bank, the kinds of paper that are admissible for rediscount under the Act.

"The provisions for the rediscount of agricultural and live stock paper are very broad and have a special significance in this state. The stock interest in this state is very important. The operations of the stockman cover the breeding and raising of stock for market and the people of this state are interested in the sheep

business, both as it relates to the production of wool and the production of mutton as a food supply. The Federal Reserve Act specifically indicates that when notes or bills have a maturity of less than six months, and the proceeds have been used, or are to be used, for breeding, raising, fattening or marketing of live stock, they are eligible for rediscount. Loans made by member banks to farmers for the purchase of seed and the carrying on of the ordinary operations of agriculture are likewise available. The proceeds of the note should in all cases have been used in furthering the productive activities of the farmer in keeping his farm a going concern. This would exclude notes made to cover payments for land or the erection of buildings, etc. It would not exclude loans made by the farmer where the intention was to employ the proceeds in the purchase of dairy cattle, hogs, sheep, or horses, needed to carry on current farm operations.

"I wish to be very clear with respect to the rediscount of stock and agricultural paper. Banks are making paper with farmers and stockmen almost every business day of the year. With this in mind it naturally follows that any given time there will be a proportion of the loans and discounts at any bank which will consist of paper given for various periods of time, but all of which will run off within six months. The notes may have been given for a year or for a greater or less time. That is not to be considered in connection with rediscounts. All that is necessary is that upon the day of their presentation for rediscount at the Federal Reserve Bank, each note must be due to run off within a period not greater than six months. The twelve months' note of the stockman is, therefore, eligible for rediscount during the last half of its life. A ten months' note would be eligible after it had run in

the bank for four months. Six months' paper would be eligible at any time. Paper having 30 days, 60 days or 90 days left to run, would be accepted at the regular rates of discount for 30, 60 or 90 day paper. I have referred to this question of time, in connection with rediscounts, before, but I mention it again in order to make it perfectly clear that so-called six months' paper does not mean that paper must have been given originally for six months' time. I have found that there is a general lack of understanding of this fact.

"The notes of retail merchants are available for rediscount when the financial statements of such merchants show that, in addition to cash, collectible accounts and bills receivable, there is on hand sufficient merchandise of a readily salable character to amply insure the payment of all obligations in the event of liquidation. There should be a satisfactory margin of quick assets.

"Now that we have gone over the details of the rediscount system, it is important that we consider the provisions of the Act for currency issue. A legal system of rediscount would not be effective unless it went hand in hand with a system of currency issue, which would permit currency to go out in any required volume as business needed it. Under the Federal Reserve Act the volume of currency in the hands of the people will have a direct relation to business conditions at the time. Currency is issued in response to rediscount. The volume of rediscounts will be a sure and effective barometer of business conditions in the United States and will clearly indicate whether business is on the upgrade or whether it is falling off. In times of brisk business rediscounts will increase in volume. As business falls away, rediscounts will slack off and seek lower levels. Currency which goes out in response to the rediscount will come in again under an automatic process. The notes of the Ninth Federal Reserve Bank that come into the hands of the Seventh Reserve Bank at Chicago, or the Reserve Bank at San Francisco cannot be reissued by those banks. The reserve bank that receives them must ship them back at once to the bank that issued them. When received they are retired from circulation. In times of slack business, therefore, these notes will come in for redemption and the volume of currency will automatically adjust itself through this process to the requirements of business generally throughout the country.

"We have never had any money in the United States that is better money than is Federal reserve notes. Every dollar of the new currency issue has behind it, in the Federal bank that issued it, a reserve in gold amounting to 40 per cent. The issuing reserve bank holds in addition \$1.00 in high class mercantile paper, endorsed by a member bank, and when the note is issued it is not alone an obligation of the reserve bank, but it is an obligation of the United States government. Each five dollar Federal reserve note is, therefore, protected by \$5.00 of selected business paper and \$2.00 in gold as security for its redemption. It is redeemable in gold or lawful money upon presentation at any reserve bank in the United States and when presented at the Treasury in Washington, it is redeemable in gold coin. The guarantee that each reserve note will be promptly redeemed could hardly be more complete. It is inconceivable that the public would ever question the soundness of this currency, which has, as a matter of fact, very much better security behind it than the national bank notes, which have been commonly circulated for many years and which have been a most excellent form of currency.

"The issue power is ample to meet all requirements. Vice-Governor Delano, of the Federal Reserve Board, estimates that the Federal reserve banks have a com-

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bined issue power at this time of more than \$450,000,000, and that the ultimate issue power, after they have been three years in operation, will be three times as great, or something like \$1,400,000,000. There is no doubt but what the present issue power of the Ninth Bank is entirely sufficient to meet any requirements that can be foreseen in this district.

The Advantages.

What are the advantages of the new system? I think it is a fair question, and if we cannot say to the state, as well as the national banks, that there are practical and actual advantages under this system, we cannot expect that many state banks will come in. I am of the opinion that there are advantages that are important, and as I see them, they are as follows:

1. A well managed member bank has absolute protection in times of stress or panic, and has been provided with resources to fall back on.

2. Member banks have the ability to obtain currency almost immediately upon demand, without the necessity of taking out bonds to secure circulation.

3. The Federal system so supports its members that it would be practically impossible for a run on a sound bank to cripple it or compel it to close.

4. Member banks have been provided with a reservoir upon which they can draw for any funds that are needed to meet a legitimate expansion of credit demands.

5. Member banks have been brought into closer and more practical working relations with the Federal government than before, and their standing in their own communities have been improved to such an extent that in a number of cases they are already advertising

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their membership in the reserve system, so that their customers may know that they share in the benefits and protection afforded by the Reserve Act.

6. National banks that have become members of the system have been permitted to engage, for the first time, in farm loans at five years' time, on mortgage security. The Ninth District leads all other districts in the United States in the amount that is made legally available to farmers under this provision, and a total of \$57,365,000 has been released out of the time deposits of the banks to be thus employed.

7. Member banks, in this state particularly, that during the past few years have been doing a very valuable work in encouraging better farming and a greater interest in live stock, have been afforded a great deal of support in work of this character through the very liberal provisions of the Act, with reference to the rediscount of agricultural and live stock paper.

8. The drafts of any member bank on the Federal bank of its district are payable at par at any other reserve bank in the United States, without exchange.

9. The new reserve requirements are lower than the old requirements. After November 16, 1917, when the new reserve requirements are fully operative, country banks will keep only four-twelfths of their reserve in their vaults and it will be optional with them to keep the difference between this amount and the amount they are required to keep in the Federal bank, either in their own vault or in the Federal bank. The disposition will probably be to keep a substantial part of this optional amount in the Federal bank vaults, with the result that member banks will not be obliged to carry the same amount of cash as formerly and will make a saving in burglary insurance, in addition to which they will considerably reduce their risk.

"The benefits I have enumerated, mean that every banker can go home at night with a feeling of security that nothing can occur that will suddenly endanger the safety and solidity of his institution. This element of protection alone is worth all the effort it has taken to reconstruct our banking law.

"Provision has been made in the law for the establishment of a check clearing system in each Federal reserve district and a system of clearings between Federal reserve districts. I am frank to say that I have never been able to see any great necessity of making this check clearing plan a part of the law. One who studies the question must admit that there seem to be many excellent reasons for the action which Congress has taken and I think they have never been better stated than by one of the foremost authorities in the United States, who addressed a recent meeting of the Association of Reserve City Bankers and gave eight reasons for adopting the new system of check clearings. These reasons were as follows:

First—Excessive exchange charges.

Second—Absorption of exchange charges by the collecting banks.

Third—Indirect routing of checks to avoid exchange charges, chiefly caused by clearing house rules.

Fourth—Maintenance of reserve balances with banks for the sole purpose of getting items on which to charge exchange.

Fifth—The carrying of compensating balances with collecting banks solely for the purpose of obtaining par territory.

Sixth—Paying interest on uncollected funds.

Seventh—Paying checks drawn against uncollected funds.

Eighth—Padding the reserve with items in transit.

"I realize that the complicated nature of the exchange system of the United States has brought about a good many evils that ought to be eliminated. I realize that Congress put this provision into the law with the specific intention of doing away with the abuses that have grown up, by putting exchange and collection on a simple, more direct and better basis. The check clearing system is not an essential part of the law, however, and the Federal Reserve Act is neither weakened or strengthened because it is a part of the new system.

"It seems to me the proper view for the bankers to take is the friendly view. Congress intended to do away with the practice of penalizing the holders of bank checks and expected to grant relief to the business interests that have long found the exchange they have been compelled to pay a very burdensome item of expense. If Congress intended arbitrarily to deprive banks of their exchange earnings without giving them something in return, I should take the view that it would be very unfair and unreasonable. I have indicated, however, that Congress has granted something in return, that a bank, which properly understands the Reserve Act, can enter the check clearing system, sacrifice its exchange earnings and even sacrifice the small interest that it formerly got on its deposited reserves, and still come out ahead at the end of the year.

Check Clearing System.

"The Federal Reserve Bank of Minneapolis commenced the operation of their collection system on June 1st, and as at this time it has only been in operation for two weeks, it is difficult to form any definite opinion as to how it will eventually work out.

"We started with a membership of 112 banks, and our second list, issued today, shows we have increased this by 26, which we regard as very favorable.

"We have no trouble or difficulty in reference to banks keeping their required reserve with us owing to the collection system. We think that if the practice of banks transferring funds between correspondents by remitting drafts on their correspondents for that purpose could be done away with, that the depletion of reserve balances owing to large and unexpected remittances could be avoided. We are endeavoring to educate our members to request their correspondents to make transfers for them instead of issuing their drafts for remittance purposes. Owing to the policy and stand taken by the Minneapolis and St. Paul banks at the present time, we are handling very few transit items, averaging about one hundred per day. Member banks, with few exceptions, are using their utmost endeavors to keep their checks and drafts out of our hands. They have circularized their correspondents telling them that they stand ready to make a daily deposit with us to cover all items the Federal Reserve Bank may remit to them, thus avoiding the reduction of their deposits below the required reserve. Under this plan, they call attention to the fact, the member banks do not need to send us any items whatever and that they (the Minneapolis and St. Paul banks) will handle their items for them.

"Minneapolis and St. Paul banks do not deposit any outside items with us whatever, but handle the same direct. This is the reason for our having so few transit items, the local banks assuming the burden of handling them. We are, however, sorry to see that the banks who have joined our collection system do not appear as par points on the latest published par lists of the Minneapolis banks.

"Under the present conditions our expense per item is naturally very high, but our total expense for the

operation of the transit department is low. This is owing to the small number of items handled.

"It will probably take several months to determine approximately the conditions under which we will be working."

"I think there is a temptation to forget that the Act has done two things which should contribute materially to the earnings of each member bank. It has lowered the old reserve requirements very considerable. It has provided strong secondary reserves in each member bank, by making a portion of its loans and discounts available for rediscount. Under the old system no conservative banker could have thought of recommending that country banks generally loan down closely to the legal limit of their reserve. I believe that it is perfectly safe to advise at this time, and if I were still a country banker I should feel that so long as a substantial part of the paper in my bank was available for rediscount and could almost immediately be converted into cash, that it would not only be entirely safe, but would be sound business policy to employ my funds freely so long as there was a good outlet for money in the community, and employ the difference between the old reserve and the new at the going rates of interest. The change of reserve requirements in many cases has released large sums of money.

"The employment of these sums, as I have indicated, will give bankers a satisfactory offset against the loss of interest on their deposited reserves or loss of exchange under the new check clearing plan.

Country Banks.

At a recent banking meeting I was asked whether I believed that it was good public policy for country banks, because of the Federal Reserve Act, to sever their old time relations with their city correspondents, withdraw their city accounts and no longer utilize the facilities that have been built up through years of association with large institutions in the commercial centers.

"Such a question seems to me somewhat absurd. We must go back again to principles that I stated earlier in my talk to you. The success of the Federal reserve banks will depend almost entirely, in my mind, on their co-operative relationship with their members and upon the service they can render to their members and to the public. The Federal reserve bank has been established for the use of member banks. No one has supposed that it would be the disposition of its officers to force its members to avail themselves of its facilities unless the members found satisfactory reasons for doing so. If the Federal reserve bank is to transact an extensive business it must be upon a strong business basis. There is no doubt in my mind but that a satisfactory volume of business will come to it in time as it is better known and understood. I do not apprehend, however, that this will necessarily interfere so greatly with the old relations between banks and their correspondents. Upon the other hand, I think we will find our proper sphere of activity and will acquire the volume of business that is necessary to provide for expense and dividends of the Federal reserve bank without difficulty and along lines which will not be found to be competitive either with the banks in the city or the member banks in the country.

"Banks over the Ninth district will continue to have the same relations with their city correspondents as before, except that there seems to be an impression that accounts in eastern centers will be closed with the result that the money will be brought home either for local use or for deposit with nearer correspondents. Since it was organized the Ninth Federal Reserve Bank has done a satisfactory volume of rediscounting

for its members. The large banks in the great commercial centers may easily find in time of stress that the Federal Reserve Bank is of just as much help to them as to any of its members. Their ability to quickly obtain currency from it, will be reflected in the better ability to serve their correspondents than before, and the net result will be that the country bank will have a better field in which to obtain accommodation.

"The disposition of the Federal Reserve Bank has been to avoid competition with its own members and to seek its earnings in lines of investment and in operations that do not involve direct interference with commercial banking. The reserve banks were not founded to make large profits for themselves or for the government and it is probable that as time goes on they will come into satisfactory and valuable co-operative relation with all the banks that have taken membership in the new system.

"Banks have a legal right to rediscount under the new law. Congress granted this right because there was a desire to make it possible for banks to give the proper support to business, industry and agriculture. When business demands in the country begin to tax the credit facilities, it is intended that member banks shall have opportunity to sell their best paper and obtain cash or credit with which to continue to meet all fair and reasonable demands. Rediscounts would still subject a bank to criticism if it were not for the fact that, in legalizing the rediscount system, Congress has provided, in the new Federal reserve banks, strong reservoirs of money on which member banks can fall back. The rediscount system was not established for occasional use only, or intended to operate solely as a safeguard in times of panic or grave financial difficulty. It was established for everyday use in meeting legitimate necessities and it was intended that it should be freely employed when there was sound need of it. It is expected that it will be used whenever member banks find that there is a local condition which justifies such use.

"In providing these facilities and in making them available Congress has enabled the banker to watch credit conditions in his community with a new interest and take care of business in a broader and better way than before. The reserve bank expects that the member bank in the home city will see to it that the business man and farmer has such accommodations as he is reasonably and legitimately entitled to on the showing of his financial condition, and that when the banker finds that, in meeting such requirements, he is beginning to somewhat tax his resources, he will at once turn to the Federal reserve bank for additional support, and there rediscount his paper, free from any feeling that he is exposing himself to criticism. Upon the other hand, when his bank is in sound condition and his loans and discounts are above criticism, he should feel, in making rediscounts that not alone is he following sound banking practice, but that he is helping to do the one great thing that Congress intended in adopting the Federal Reserve Act, and that he is helping to make the reserve system of genuine public service to this country."

(Applause!)

Mr. Karl J. Farup: "As I understand it, Mr. Rich is glad to answer questions and I may as well say that I have been asked a few questions in regard to the Federal Reserve Bank. Mr. Rich, here are two questions. One is, will the six per cent dividend be considered cumulative; that is, supposing there is no dividend this year and supposing there is not enough earned for a dividend of six per cent, shall the dividends be cumulative? After the expenses and six

per cent dividends have been met, one-half is set aside for a surplus fund and one-half goes to the United States as a franchise tax. After forty per cent of the paid-in capital stock has been created as a surplus from the earnings the earnings will be paid into the government as a franchise tax and will be used either for the gold reserve held on account of outstanding United States notes or should be applied to the reduction of the outstanding bonded indebtedness of the government. The second year and in subsequent years will dividends be declared while the bulk of us are catching up with the loss of the past? That is, suppose at the end of five years the bank will have earned enough to cover five dividends of six per cent each, will it be so paid to us?

Mr. Rich: "I haven't a copy of the law here. Perhaps this statement here will cover what you ask:

Memorandum.

"The Federal Reserve Act provides, in Section 7, that after the necessary expenses of the Federal Reserve bank have been provided for the stockholder member banks shall be entitled to receive an annual dividend of six per cent on the shares of stock that they hold, which dividend shall be cumulative. After expense and dividend claims have been fully met, any remainder out of the annual earnings of the bank shall be divided, one-half being set aside for the creation of a surplus fund and one-half being paid into the treasury of the United States as a franchise tax. After a surplus of 40 per cent of the paid in capital stock has been created, all the remaining earnings of the bank will go to the government as a franchise tax, and the revenue which the government receives in this way shall, at the discretion of the Secretary of the Treasury, be used to either supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the government. No other use can be made of any surplus earnings paid to the government. The government would not be authorized to apply any part of such earnings to its current expenses.

"At the present time the earnings of the Ninth Reserve Bank show a margin above its average operating expense. There has never been any doubt in my mind but that we shall be able to meet our dividend requirements, although it is not usually expected that a new banking or business institution will pay dividends the first year.

"Unless there should be some condition that would operate materially to cut down the business done by the Ninth Reserve Bank, I think we will be able during the first year to not alone satisfactorily take care of our current expense and dividends, but perhaps to make some small start on the creation of a surplus.

"Now, this is only my idea. Business is getting better in the Ninth Bank each day. Our demand for re-discounts are increasing from day to day and I cannot see any reason why we should not expect to pay our dividend even after the first year, but it doesn't matter; to answer your question, these dividends are cumulative and if they are not earned for ten years they will be paid to the stockholders for the full period."

Mr. Farup: "The second question: In the event that the bank may not, during the first fiscal year, earn sufficient to cover expenses, will an assessment be made the second year upon the member banks, or will you enter the second year carrying the expenses not earned in the first year?"

Mr. Rich: "That is a question that could only be answered by the board of directors, but if I was to express my individual view on the matter it would

be that there would not on any condition be an assessment. It would be ridiculous, gentlemen. You must know that there has been a very great amount of funds taken and deposited in this bank on which we are paying no interest, and it would be ridiculous to assume that we cannot take these sums and without interfering with anybody earn the expenses and the dividend. We are feeling our way the first year. We have nothing to go by. There is no precedent established for these Federal Banks. We do not know what is going to happen or how much re-discount is going to be demanded of us in the fall. The first three months we did practically nothing. We are now receiving a business much better than our expectations and the rest of the year it is bound to be very much greater than we have had up to this time. I don't know. I wouldn't worry about my dividend in the Federal Reserve Bank. I have found out—fellows come in and want to speculate, and I would have been very glad to have bought all the dividends in this bank if I had been permitted to do so. I would say that if the Federal Reserve Bank does not earn expenses we are at fault and new reserve agents that are competent to fill their position should be called in."

The President: "Is there any further question?"

Mr. Farup: "I trust, Mr. Rich, that you did not consider that these questions are in any way antagonistic nor for the purpose of calling attention to the fact that the bank so far has not done a great deal of business. It is certainly not so. No one expected that the bank would earn very much the first year. The questions have been asked particularly for the purpose of information and were in no manner antagonistic. I am forced to make this explanation because it occurred to me that your answer would indicate perhaps that there was a little feeling in that direction."

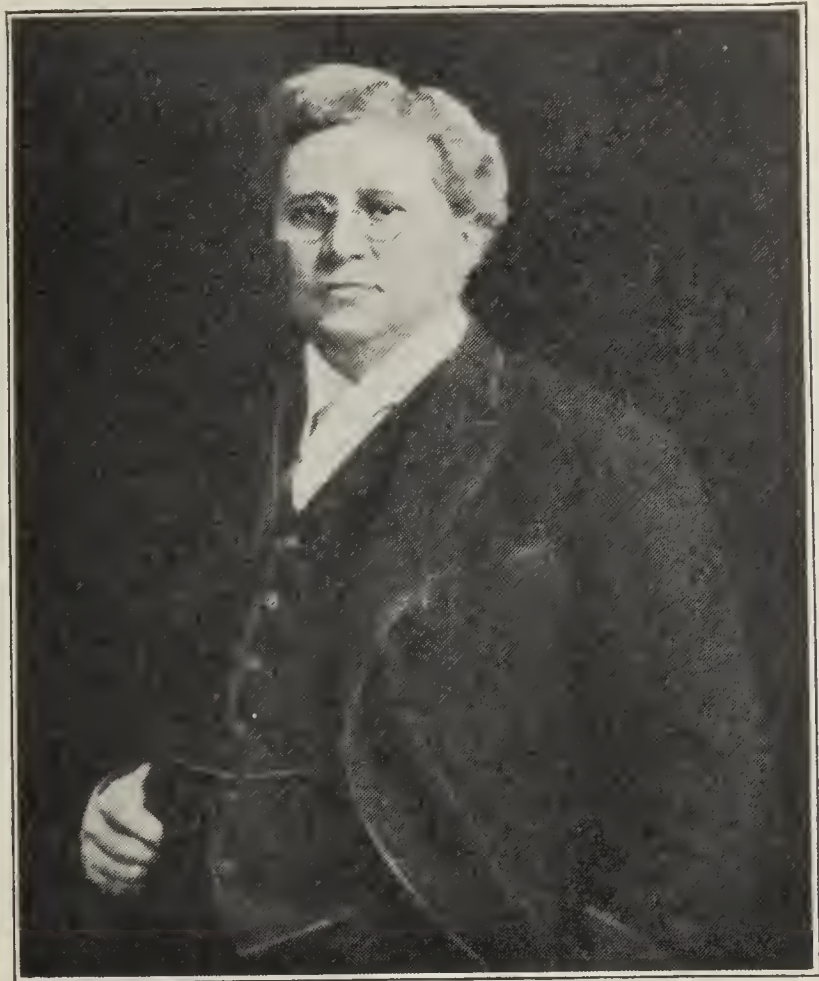
Mr. Rich: "No, indeed, I didn't intend that you should take it that way. I have had these questions asked. Perhaps I got a little impatient from being asked the question, but it was asked by one of our directors and I was asked to make that explanation. I thought it had better come up as a question. We are not at all sensitive about that. I want you gentlemen to understand that there isn't the slightest thought of anything like that in our mind. We can earn that on government bonds at two per cent if it is necessary."

The President: "Is there any further question? The next thing on the program is an address: 'International Relationship and Trade Development.' It is by a gentleman who, I am told, is thoroughly capable of handling it with perfect satisfaction to himself and to the audience, Mr. J. J. Arnold, Vice President and Manager of the foreign exchange department of the First National Bank of Chicago. I have the pleasure of introducing to you Mr. Arnold, who will address you on this subject."

Mr. Arnold:

Mr. Chairman and Gentlemen:

"No other country has so many reasons for being interested in international affairs as has the United States of America, and yet it is a fact that we have only recently begun to realize our position as related to the nations of the world. In the first place, we have within our own borders a citizenship made up of the peoples from practically all parts of the universe. This in itself ought to make us interested in the world and in world affairs. We have not only a most complex citizenship, but we have many citizens of a most complex personality. You will pardon me for illustrating by telling you that my father was born in Germany of



MR. JOHN J. ARNOLD

English ancestry. When but one and one-half years of age his parents took him to Canada, where he has lived ever since. My mother was born in the state of Illinois, of German and French parentage, and also as a child was taken to Canada by her parents. I was born in Canada, and I am proud to say that over and above everything else, I am an American citizen. This, I think you will agree, should make me neutral in this great European war.

"In the first twenty years of my life my training and education were entirely British, and naturally when this terrible conflict came upon us my sympathies were with Great Britain. I have for twenty-four years, through my daily occupation, been interested in affairs international—more particularly those pertaining to trade and finance. I have during that time endeavored to study world movements from the standpoint of an American. I have since the outbreak of war followed its progress and have tried to inform myself on all sides of the conflict and have finally come to the conclusion that in this controversy, as in all others, there are two sides to be considered. As to the final outcome of this war, I have but one wish, and that is, that *right* and not *might* may prevail. I realize that on the question of what is right opinions may differ, but I am confident that they differ only because they are opinions. I have the conviction that if all the facts were known, and all of us knew them to be facts, and all of us were unbiased and without prejudice, then, as Americans, all of us would think approximately alike.

"It is undoubtedly true that the study of great world movements in retrospect gives a much more accurate basis for sane and sound conclusions than when studied as current events. Fifty years ago, the name of Abraham Lincoln was reviled and despised, not only in certain sections of our own land, but more particularly in Great Britain, the country of which I happen to have been a subject by birth. Today the whole world is united in recognizing the value and worth of the life and character of the "Rail-splitter from Illinois." During our civil war sentiment in England was

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against the north to the extent that we found it advisable to send to that country for our leading politicians; Thurlow Weed; one of our most successful international lawyers, William M. Evarts, as well as our most brilliant orator, Henry Ward Beecher, for the purpose of laying before that great people the real facts in the case. British public opinion against Lincoln and the north was of such a character that the meanest atrocities reported as having been perpetrated by the Union were readily accepted as Gospel truth. Is it not possible then that we find in the present condition a striking parallel? In any event, Germany has found it advisable to follow our example and has sent to our country one of her representative citizens for the purpose of making clear her position in this conflict.

It is my judgment that no one in our land today is in possession of sufficient facts to warrant him in forming a definite and fixed conclusion as to the causes underlying this war, nor are we in a position to say what will be best for the world with regard to the final outcome of the issues at stake. We should be concerned more particularly with regard to the conditions in our land as affecting the relations of our own citizenship.

"Much has been said in recent months with regard to the hyphenated American. No matter what our position on this question may be, the fact remains that we have a hyphenated citizenship. I have no objection to being known as one of them. The fact that I was born in Canada is one of which I have always been proud, and I maintain that to be known as a Canadian-American does not in any degree detract from my patriotism as an American citizen. While I do not object to the hyphenated American, I do seriously oppose any hyphenated propaganda.

"Aside from our relationship of blood, due to the facts referred to, we, as a nation, have come to a position where we feel as we have never felt before, that we must be interested in world affairs. We have come on and up through the normal and natural process of the development of an agricultural country. So long as we were largely a rural population, we were not very much concerned with regard to the trade with the outside world. The natural products of our land found their natural channels through which they flowed without difficulty. We have, however, arrived at the period where we are quite rapidly moving from the position of a rural country to that of an urban population. As the percentage of rural decreases and the percentage of urban increases, we come to the condition of greater production of manufactured articles. It is a splendid thing to have the products of the soil and of nature with which to supply the world, but it is much better if our products of the soil can be made use of by the citizens of our cities and there converted into brain and brawn, which, in turn, are put into a product that can be sent out into the world as an evidence of American skill and workmanship. We are now producing more largely that which requires the ingenuity of the individual, so far as mechanical and engineering qualifications are concerned. This has placed us where our own population is not able to consume all of our manufactured products. It is, therefore, natural that we are now looking for an outlet for the surplus of our manufacturing industries, and this is why so much has been said since the outbreak of the war on the subject of foreign trade development and particularly trade development with Latin America. Most of the principal European nations are almost exclusively manufacturing countries, none of whom produce sufficient from the soil to sustain their own people. This deficiency is supplied through importations from agricultural countries. Their surplus

of manufactured articles has forced them into the world markets. They have for years been carefully cultivating the field of the newer nations, such as North, Central and South America and the Orient. The United States of America is just entering the race as a real competitor, and as such it is worth our while to study the methods employed by the European countries, especially where they have proven successful.

"I have referred to South and Central America as a 'field' and I wish to lay special emphasis upon this thought. You know, without my telling you, the process by which a field is cultivated. You must, first of all, till the soil, then sow the seed; the seed must be given time to germinate and grow and develop and ripen before you can expect to garner the grain. The European nations have understood that the newer countries of the world are fields in full sense of the word. When this war came upon us many of our newspapers, and some of our citizens, seemed to have the idea that Europe had been tilling the soil, had sown the seed; and now, that she was unable to reap the harvest, all that was necessary for the United States of America to do was to step in and appropriate the result of Europe's efforts. These students, however, left out of consideration one very important factor, which is that practically all of the machinery which has been made use of in the process of cultivation bears the imprint of the stamp 'Made in Europe and for European purposes.' I have reference now more particularly to the machinery employed for the selling of the goods, as well as the facilities for transportation and the financing of the exports and imports, and it is to these to which I wish to call your special attention.

"Before entering further upon the discussion of this phase of my subject, I wish to call your attention to one of the underlying reasons why in the past we have not had the intimate relations with Central and South America which, on account of the natural location, some believe should have existed. I need not tell you that two countries producing the same article in sufficient quantity to supply the home demand have no occasion to trade with each other in such a commodity. The United States of America, while purely an agricultural country, produced little of which was of value to Latin America. Our trade with Central and South America has been developed only along the line of products which we produced and they were lacking, or which they produced and we were lacking; but even these largely reached American ports via European countries. This is due largely to the lack of facilities for direct and rapid transportation. Now that we are coming into the position of a manufacturing nation, and South and Central America are still agricultural countries in need of many of the articles which we are manufacturing, it is but natural that we should become directly interested in each other.

"In addition, I wish to call your attention to a condition which is peculiarly favorable in the development of trade relations between North and South America, and that is the fact that our seasons are entirely reverse. We are now going into summer; south of the tropics the Latin Americas are moving into the winter months. We are producing certain products, such as fruits, etc., while they are unable to do so and vice versa. As already indicated we have lacked the proper facilities for the carrying on of trade between the countries of this hemisphere. In so far as transportation facilities are concerned we have absolutely nothing to offer that is really worth while. Since the outbreak of the war, there has been considerable agitation in this country with regard to building a merchant marine. The

present administration has tried to pass a law making it possible for our government to undertake the development of shipping facilities, claiming that private enterprise and private capital has not responded to the situation and on this account the government should undertake this work. I am sure you will agree with me that something should and really must be done. Under the restrictions of existing rules, regulations and laws, extraordinary burdens have been placed upon ship-building and the manning and running of American ships to such an extent that private capital has found it practically impossible to compete with European organizations. The shipping interests of our land have only demanded that they be placed on an equal footing with competitors and have declared that if such conditions were made permanent there would be no hesitancy on the part of private enterprise in the building of a real American merchant marine. Whatever the solution may be, one fact must not be overlooked. There is probably no organization in existence today so powerful and far-reaching in the control of shipping rates as that body commonly known as the shipping pool. What I fear is that if private enterprise in this country develops a merchant marine, it will eventually be forced to go into this combine, and we should see to it that this be avoided.

"The question which interests you today, possibly more than any other, is the lack of banking facilities for the development of international trade. All of our larger banking institutions which have organized Foreign Trade Departments, have been, and now are in a position to take care of the financing of exports and imports to the satisfaction of all concerned. European countries, however, have long ago recognized that banking institutions, particularly in Latin America and the Orient, should be made use of, not merely for the financing of trade but as trade agencies, and as a result have established banking institutions which have successfully carried on both lines of endeavor. How this most naturally works against us can best be illustrated by an actual occurrence. A firm in the city of Chicago secured an order from a house in the city of Buenos Aires, in the Argentine Republic, the understanding being that the Argentine house was to furnish a banker's commercial letter of credit. The buyer in Buenos Aires had been banking with one of the European institutions and upon making application for the credit in question the manager of the bank inquired why these goods were being purchased in America when the same could as well have been purchased in Europe. Not being able to give an answer satisfactory to the banker, the credit was declined, with the assurance, however, that should the order be placed in Europe the credit would be furnished. This is proof of my assertion that the European banking institutions doing business in Latin America are "made in Europe and for European purposes;" and as a result they do all they can toward the development of trade with their respective countries. Anything outside of that is merely secondary.

"Our Federal Reserve Act gives us the power to organize branches in foreign countries. Only banks with one million dollars capital or more can do this. The result is that one bank undertakes the organizing of such branches; others feel the need of competing and also enter the field. Perhaps banks in St. Paul, Minneapolis, New York, Philadelphia or Chicago realize the need of organizing for the development of the trade of their respective communities. If the privilege granted is made use of in this way, then before long we will have more competing branches in the foreign countries than are necessary to carry on the work. On this account we propose an amendment

to the law, and it is this I wish to present to you in the hope that your organization may see fit to co-operate with us. Our suggestion is that the Federal Reserve Act be amended so as to allow any and all banking institutions desiring to co-operate with each other in the development of a banking institution to do business in foreign countries to subscribe a limited percentage of their capital to such an undertaking. It is our hope in this way to secure not less than ten million dollars subscribed capital. This, however, would not be called for excepting as required from time to time. The ten million dollars subscribed capital would give the institution its full and complete standing, just as though it had been actually paid in. Branches would only be organized from time to time as the demands required, and as the field offered opportunity. This, however, is not with the idea of going merely into South America, but would permit us to organize also in China, Russia, Japan or any other part of the world. In addition our suggestion carries with it the feature that wherever local capital desires to co-operate with the American institution such co-operation should be granted. In this way the bank would become co-operative, not only between the banks in America, but also between the United States and the countries in which such branches are established. China has already offered such co-operation. Such an institution should have very broad powers and should aid the countries in which branches are located in the floating of loans and the financing of public and private undertakings. This would serve to enhance and increase our financial international inter-relationship.

"At the time of the outbreak of the European war, the principal European countries had investments in the United States of America to the extent of approximately seven billion dollars represented in our stocks and bonds and securities of a like character. This is due to the natural process of development where two countries trade with each other and where the one receives in commodities more than it can give in return. The difference must be supplied in some way, either by the payment of gold, which is usually employed as a means of last resort, or by the giving of obligations, such as mortgages, bonds, stocks, or other similar securities. In this way we have created an obligation in favor of Europe to the extent of approximately seven billion dollars. On the other hand some of our citizens are holders of European securities to the extent of approximately one billion dollars so that the net obligation of this country to Europe is approximately six billion dollars. The inauguration of the Federal Reserve System has released approximately \$700,000,000 of our reserves. This gives to us a credit expansion possibility of between three and four billion dollars. After this war is over, our financial inter-relationship with the European nations will probably be far more complex and closely drawn than in the past. The European holders are not likely to return to us the American securities in which they have invested. It would appear that the Europeans, up to the present, look upon our securities as desirable investments. They realize that we are rich in resources and that ours is the only great nation not at war and where destruction is not going on. On the other hand, the belligerent nations will have to finance their war expenditures and they will be in the field to place their government bonds and securities in our market, and American capital will, no doubt, find it profitable to invest to a very large extent so that our financial relationship should become more closely interwoven as a result.

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nations of the world as Europe has served this country in the past. Latin America and the Orient are looking to us for aid and help in a financial way. They have the resources and can give us ample security and it is for us to use some of our surplus credit to aid them in their work of development. The European war halted the building of a railroad, wharves and docks in one of our South American Republics. Approximately \$100,000,000 for the financing of this undertaking had been arranged for in London. The engineer in charge was an Englishman. The plans had all been formulated. The contract work in so far as was possible was to have been given to British contractors. Material and supplies for the building and the equipment of the road were to be purchased from Great Britain. Suppose that the financiers of our land could undertake this work—what would be the result? An American engineer would be put in charge, American contractors would be given the work, American materials would be specified for the building and equipping of the road and very little of the money which we would raise would actually go to South America. The major portion would stay in this country. Our steel mills and railroads would be active and the entire nation would be the beneficiary of an undertaking of this character. It has been, and now is, my opinion that instead of extending immense credits to the European nations now at war, we should turn our eyes and attention to the newer countries and aid them in the work of construction rather than to aid Europe in the work of destruction.

"It is a well understood principle that the destruction of life and property is an economic waste. In a conflict such as that which is now raging, the entire world will have to help pay the cost. The longer this

war is continued, the greater will be the devastation and the heavier will be our share of the burden which we will eventually have to assume. For this reason I believe we should do nothing which will prolong this struggle.

"In 1910 it was estimated that the world securities were internationally held to the extent of approximately 40 per cent, and it was felt that this in itself would be a great force in the maintenance of world peace. I am firmly of the opinion that if we could have had another twenty-five years of development of financial inter-relations, such as we have had in the last quarter of a century, we would have come to the position where the international holdings would probably have been 60 per cent or 70 per cent, and that then the forces of finance would have become so strong that such a conflict would have been prevented. As already indicated, it is my belief that when this war is over the financial blanket of the world will have become more closely interwoven than ever before, and on this account, I hope that the present war will be the last to be recorded in the world's history.

"But you may say: Is it not a fact that this war in Europe is the result of commercial rivalry? Is it not a fact that it is believed by many that the war has been brought about because one nation has been more successful in foreign trade than the others. If so, then why should we as a nation encourage this kind of an effort which will finally drive us into a similar position? All that I have said with regard to the inter-relation of international finance is, in part, an answer to that question. The closer that our economic inter-relationship will become the more certain will be the moving towards permanent peace. I am not a pacifist in the sense that I believe that this

can be accomplished through sentiment only, but I am confident that it will eventually be brought about by the combination of the forces of the pacifist movement and that of a closer economic relationship.

"I wish to further call your attention to a movement which will illustrate and emphasize the thought which I am trying to bring. I believe my reasoning is sound. If you disagree with me I am open to conviction. We have today organizations such as the International Harvester Company having factories in our own country, in Canada, in Russia, in Sweden, France and Germany. We have other organizations of a similar character. This movement is due to the force of economic laws demanding reduced cost in manufacture and a more economic distribution of the finished product. Economic forces are working quietly but with tremendous power towards peace the world over. What will become of international commercial rivalry if we allow a movement of this character to develop? I realize this is not the time in which to argue for monopoly. I believe, however, that we are moving towards the monopoly of a product not in one nation only, but the world over, and with this to a position where capital and labor will eventually share in the results on a fair and equitable basis. When the nations shall be financially more equally interested in each other, and one attacks another the rest will be interested in arresting or stopping conflict because of the investments held in those nations. This is one of the greatest movements now under way and in my judgment forms the foundation upon which will be reared the structure of world peace.

"The United States of America has set before the world new principles of international relationship. After we had taken from Spain some of the Islands to our south, instead of laying claim to the right of ownership as a result of conquest, we delivered our new possessions to the citizens of those islands and thereby astonished the older nations of the world and won the admiration of civilization everywhere. This magnanimous act will find even a broader expression when the natives of the Philippine Islands will have been elevated through our efforts to a position of self-government. In returning to China the indemnity awarded us as a result of the Boxer uprising, requesting that country to employ the same in the education of her youth, we again startled the world. It has taken a great war to bring the European nations to an open acknowledgment of the evil of the liquor traffic. We have been steadily and surely enunciating this principle in times of peace.

"It seems to me that in this present situation we are in a position to again demonstrate leadership of a higher order. Last winter in Washington I heard President Wilson deliver an address in which he made this most significant statement:

"When peace will be as handsome as war, there will be no more war."

"It is a handsome thing for the citizens of the European nations to lay aside all of their differences; social, political or religious, or of whatever character they may have been, and stand united as one man in the defense of the home land. This is what we call patriotism of war. It is our opportunity to demonstrate to the world what means patriotism of peace. Would it not be a much more handsome thing if we, as a nation, composed of a citizenship through whose arteries rushes the blood of practically all of the peoples of the earth, in this time of trial, should forget all our blood distinctions, all of our social and political and religious differences, and stand shoulder to shoulder, united as one man—not, I hope, in the defense of our nation, but for the development of that

which is best in the world: an ideal that shall stand for the highest that humanity has ever known—the fatherhood of God and the true brotherhood of man."

(Continued applause!)

The President: "The next thing on the program is an address by Prof. H. R. Smith, Live Stock Expert of the First National Bank of St. Paul."

LIVE STOCK FOR NORTH DAKOTA

(By Prof. H. R. Smith.)

"A few years ago, an address on live stock would have seemed out of place on a bankers' program. Then the technique of banking—details in the conduct of the business—occupied the entire attention of those who were assembled in conventions of this kind. The banker of today is more than the name implies. He is not only a trustee of the people's money, but he is a recognized leader in furthering any movement that will result in a larger creation of wealth shared by all the people of his community.

"In a state like North Dakota, where nearly all the wealth comes from the sale of plant and animal products having their source in the soil, it is right that the banker should interest himself in the business of farming; should use every means at his command to stimulate agricultural production, and should make this subject an important topic for discussions at meetings such as this.

"The agriculture of the United States has changed materially during the past quarter of a century. Previous to 1890 farming was of little general interest because there was more danger of over-production than of under-production. As population increased in those earlier days and more food was required it was only necessary to put virgin soil farther west, under the plow. The occupancy of new land must have met the demands of the increasing population at that time because statistics show that previous to 1890 the yield of small grain did not increase as much as one bushel per acre from one period of years to another.

"Conditions are now changed. Relatively little arable land in the United States is now unoccupied, and our population is increasing much faster than are these new lands brought under the plow. The fear of over-production has long since passed, and we are forced to make each acre of the land now under cultivation produce more. In the greater part of the United States this attempt is meeting with success. In some of the newer portions, little has been done in this direction. North Dakota is one of the states which has been laggard in this respect. Favored by nature with a remarkably rich soil, we have been presumptuous in the thought that it is inexhaustible in the elements of plant life, and that it would stand a drain upon its fertility that few soils in the United States have been subjected to.

"It is no fault of the soils of North Dakota that the average yield of wheat during the past five years has been but 10.5 bushels per acre as compared with 12.7 bushels during the thirty years preceding. This yield will not pay the current rate of interest on the present market value of the land. It would appear that we have been content to let the general rise in land values caused by higher prices on grain crops, off-set our deficiencies in yields per acre.

"Fortunately, there is now an awakening. Diversified farming is gradually replacing the single-crop system and we are certain to witness during succeeding years, greatly increased yields and greater profits. The bankers of North Dakota are to be congratulated for what they have already done in furthering this

movement, but there is great opportunity to do much more.

"We do not wish to discourage the production of wheat in North Dakota. It has been, and will continue to be, our greatest cash crop. We simply wish to advocate a system of farming that will make it possible to grow more wheat on less land. Data secured by carefully conducted experiments in this state would indicate that if one-third of the average grain farm in North Dakota were devoted to corn, clover or alfalfa and these products fed to live stock, with the manure returned to the land, not to exceed five years would be required to make the two-thirds of the farm produce more grain than would be produced on the entire farm devoted to grain alone. The animal products sold would represent excess profit.

"We cannot expect a sudden change in our system of farming. One-third of the cultivated area of the state in corn and other forage crops would, however, not be unreasonable to expect at this time. Now, that we have early maturing varieties of corn, well adapted to North Dakota conditions, every possible encouragement should be given our farmers to grow more of this, the most valuable of all grains for stock feeding purposes. Statistics show that the average yield of corn in North Dakota during the past five years is 24.5 bushels per acre, two and one-third times the yield of wheat during the same period. With these yields, it is a more profitable cash crop than wheat, but it is still more valuable to the farmer as a feed. Properly supplemented, it will produce meat and milk at the lowest cost and with the highest profit of any food stuff available. A little more labor is re-

quired in growing corn than the small grains and labor seems to be scarce in North Dakota. In traveling about the state, I have been impressed with the fact that we are attempting to farm too much land for the labor available. But even though it is impossible to secure more help at reasonable wages, the land would yield a much larger revenue if a greater acreage were in corn, and a part of the land now devoted to small grains, kept in pasture. Corn, forage crops and pastures, and more and better live stock will do for North Dakota what has been done in other western states during recent years.

"During the thirty years previous to 1910, the average yield of wheat per acre for Kansas and Nebraska together was only 9 per cent greater than for the states of North and South Dakota. This small difference might be attributed to the fact that more winter wheat is grown in those states, and this ordinarily yields a little heavier than spring wheat, other conditions being equal. During the past five years, the average yield of wheat in Kansas and Nebraska has been 51 per cent greater than in North and South Dakota. In other words, they have been growing as many bushels of wheat in Kansas and Nebraska on one-third less land. The rainfall in the Dakotas is just as great and the soil, originally, as productive. The principal reason why wheat in the Dakotas has decreased in yield per acre, is the fact that much less attention has been paid to diversified farming and live stock in these states. Kansas and Nebraska are two of the three leading states of the Union in the production of alfalfa and both are among the six leading corn and live stock states in the Union. A recent statement shows that the bank deposits of North Dakota

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total \$96,529,000; South Dakota \$98,009,000; Nebraska \$221,697,000, and Kansas \$223,829,000.

"The average yield of wheat in Iowa during the thirty year period preceding 1910 was 13.2 bushels per acre, only .9 bushels above North Dakota during that period. The average yield of wheat in Iowa the past five years has been 19.3 bushels per acre, an increase of 6.1 bushels over the years preceding. Iowa is the leading corn, clover and live stock state in the Union. Iowa bank deposits total \$541,188,000. Records from thirty stock farms in Iowa for the years 1908 to 1913, show an average yield of 51 bushels of corn per acre and 2.1 tons of hay per acre. On thirty of the best farms in the same neighborhoods where the crops were largely sold direct for cash, the average yield of corn during the same period was 36 bushels per acre or 30 per cent less than on the stock farms, and the yield of hay 1.2 tons per acre or 43 per cent less than on the stock farms.

"A survey conducted by the United States Department of Agriculture shows that on 79 crop farms, averaging 161 acres in Indiana, Illinois and Iowa, valued at \$27,532.00 each in land and equipment, the average net profit above operating expenses, including interest and taxes was \$28.00 per farm. On 194 meat producing farms in the same localities averaging 189 acres in size and \$33,220.00 in land, live stock and equipment, the net profit above all expenses, including interest and taxes, averaged \$755.00 per farm. Records on 114 farms in Iowa, secured by the Farm Management Dept. of the Iowa Agricultural College show that where there were 7 or less cattle or their equivalent in other stock to each 100 acres of land, the labor income above operating expenses was \$485.00 per farm. Where there were 7 to 10 cattle or equivalent to each 100 acres, the labor income was \$736.00 per farm. With 10 to 20 cattle per 100 acres the labor income was \$1,215.00 per farm and with 20 more per 100 acres, the labor income averaged \$1,649.00 per farm.

"In Minnesota the single crop system seems to prevail in the extreme western portion of the state. In other sections, diversified farming and stock raising has greatly increased during recent years. The yields per acre in those sections are much greater and the profits from the land correspondingly higher. The town of Litchfield, which has a population of only 2,500, has bank deposits totaling \$2,529,000.00. The bank deposits for Meeker County, of which Litchfield is the county seat, amount to nearly \$5,000,000. Litchfield is one of the best, if not the best, dairy centers in Minnesota. Northfield, Minnesota, another well known live stock center has bank deposits totaling about \$1,913,000.00.

"The evidence submitted is sufficient to show how corn, forage crops and live stock will increase yields, profits from farming, and bank deposits in the districts where this type of farming is practiced. There are several factors which tend to lessen live stock development in the newer sections of country. Among these are the lack of capital with which to make purchases, lack of information pertaining to the best methods of caring for live stock and the fear on the part of many farmers that money may be lost in the enterprise, through declining prices on animal products. A statement pertaining to the market situation in the United States would seem desirable at this time.

"We have never witnessed higher prices on animal products than have prevailed during the past five years. This is due to the fact that the increase in number of farm animals in the country has not kept pace with our increase in population. The census

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reports show that the number of dairy cattle in the United States in 1910 was about the same as in 1900. The number of beef cattle declined 20 per cent during that period, whereas the population increased 20 per cent. The greatest decline in the number of beef cattle has been since 1907. From that year to 1913, there was a decline of 33 per cent. During the following year this number was increased 3.4 per cent according to estimates furnished by the Department of Agriculture. The decline in the number of cattle in the ten chief range states, amounted to 40 per cent from the years 1907 to 1914. This decrease is attributed in a large part to the occupancy of western land by homesteaders. A great many of the larger ranches have been cut up into farms, and it is hardly to be expected that the range states will be as large a factor in supplying cattle in the future as has been true in the past. When it is understood that the eleven beef cattle producing countries of the world have increased in population on the average, nearly 20 per cent since 1900 and the total number of cattle have increased but 2 per cent per acre during that time, it is not difficult to understand why prices have been abnormally high. While we may not have a continuation of these extreme prices, there is reason to believe that the markets in the future will be such as to give the farmer in North Dakota every encouragement to engage more extensively in the production of both meat and dairy products. The bankers of the Northwest can make no better use of capital than to loan the money required to properly finance our farmers who are informed as to the best methods of caring for live stock and who will make the best use of the funds entrusted to them. It is here that



BISMARCK, 1915

the banker must discriminate carefully. Live stock on the farm will lose or make money, depending almost entirely on the ability and the enterprise of the owner.

"Urge strongly that every farmer use a pure-bred sire of good type with which to grade up the common stock of the community. The offspring from a good, pure-bred sire, more nearly resembles him than the mixed bred dam, and the improvement in the succeeding generations is rapid. Such a sire is, therefore, more than half the herd. High grades of good type will produce meat and perhaps milk quite as economically as registered stock. The average farmer should not be encouraged to pay fancy prices for pedigreed animals. One farmer out of 10 or 20, who is especially well informed concerning the laws of breeding, the principles of feeding and judging, and the business of keeping up registrations and making sales, should be encouraged to engage in the breeding of pure-bred live stock of the kinds that are best adapted for the community in which he lives.

"With the best types of cows and under good care and feeding, the dairy industry will doubtless prove more profitable through a succession of years than any other kind of live stock. The number of cows that can be kept is, however, necessarily very limited because of labor requirements. Dairying is best adapted for the smaller farms or the larger farms near the city markets. The average farmer of North Dakota has too much land and not sufficient labor to make dairying a specialty. He could not begin to get the labor necessary to milk a herd of cows of the size that would be required to convert all the forage desirable for him to grow, into milk or its products. He is justified in keeping as many cows as he can milk conveniently, and do the other work on the farm, providing he has a natural inclination for this class of cattle. He should also raise a certain amount of young stock for beef purposes, as a large number of that class of cattle can be kept on the farm, and but little labor is required in handling them. With the increase in the acreage devoted to corn, that we have reason to expect during the next few years, and with alfalfa known to be well adapted to our North Dakota soils, there is no reason why the farmer of this state should not engage much more extensively in the production of beef, preferably the younger cattle as they require less feed for the same gain and the market during recent years shows a decided preference for that class. I should advise the raising of such cattle on the farm to as great an extent as is possible. Cattle from the range have been very high in price, owing to their scarcity, and they can be raised on the farm at much less expense with corn silage, alfalfa hay and other forage crops. The writer has grown beef calves at a cost of only \$4.10 per hundred, on corn silage valued at \$3.00 per ton and alfalfa hay at \$10.00 per ton. A series of experiments covering a period of ten years, shows that the corn plant and alfalfa hay give a combination of feeds that will produce beef at less cost and with higher profits than any other ration.

"For the average farm of North Dakota where both beef and milk are produced, the Dairy Shorthorns or Red Polls are preferable. If more importance is to be given to dairying than the raising of cattle for beef, the Ayrshires or Holsteins are best. On the smaller farms or in those sections where dairying is made a specialty and where it is desired to produce butter-fat at the lowest possible cost, a vigorous type of Guernsey or Jersey should be selected. On the larger farms which are best adapted for the production of high class beef, and where the owner gives preference to

that type of farming, the special purpose beef breeds such as the Hereford, Polled Angus and beef Shorthorns will prove most profitable. As we have types and breeds which have been tried for a particular purpose, it is highly important that a proper selection be made which will suit best the particular conditions in a given locality.

"There is room for great improvement in the methods of feeding. My observations have convinced me that cattle are much more often under-fed than over-fed. When it is understood that the first half of a full feed is used for body maintenance and the second half for actual production, the importance of liberal feeding will be at once apparent.

"The corn plant and alfalfa or clover hay should be the principal part of all rations. For young and growing stock, silage is preferable to shock corn. For fattening cattle, more dry feed is desirable. Alfalfa is rich in nitrogen and is greatly relished by all classes of cattle. It can be substituted for a large part of the high priced grain formerly used for fattening. We are not likely to have low priced corn in the future. The larger use of alfalfa and other good roughage, taking a little more time for the fattening process, will solve the present day problem of high priced corn.

"We should encourage the building of silos, particularly for dairy feeding. Silage can be produced more cheaply than roots in most parts of North Dakota and succulent feed is needed in winter to take the place of grass in summer. In the economical production of beef, alfalfa is a more important factor than silage. This plant has proven itself adapted to nearly every section of North Dakota where the drainage is good. It will thrive in the extreme west-



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ern part of the state if it is seeded in rows and cultivated. Alfalfa is destined to make North Dakota one of the most prosperous states in the Union and we cannot urge too strongly the growing of this most valuable hay plant.

"The North Dakota farmer should not confine himself to cattle in the utilization of his forage crops. Lambs can be fattened by the use of a somewhat larger quantity of roughage and a correspondingly smaller quantity of high priced grain. Sheep feeders are making fortunes this winter because of the high price of mutton and wool. Woold lambs have recently sold in Chicago at \$11.00 per hundred, the highest price in the history of the United States. The general conditions are such as to make one believe that the farmer can depend on getting good prices on sheep for some time to come. Expensive buildings are not needed for either sheep or beef cattle. Straw sheds are in every way as satisfactory if the farmer has limited means.

"Last, but not least in importance, is the hog. North Dakota has shown the greatest increase in the production of this class of animals during the past year. According to statistics furnished by the Department of Agriculture, the total number of hogs in North Dakota, January 1, 1915, was 50 per cent greater than January 1, 1914. The receipts of hogs from North Dakota at the South St. Paul market have practically doubled this year over last. Only one other state in the Union, Montana, shows a 50 per cent increase in the total number of hogs. The increase of hogs in the country as a whole during 1914 was only 9 per cent over the year previous. It is to be hoped that the increase in North Dakota will continue at the same rate during succeeding years. Hogs create wealth for the farmer faster than any other class of animals. \$100.00 invested in brood sows given proper care will grow into \$500.00 during a period of 12 months. They will produce more meat from a given amount of grain than either cattle or sheep, but they are not equipped to use so large a quantity of roughage. They can be fattened with little labor and can harvest a field of standing corn at the lowest expense and with the highest profit if a small quantity of skim milk, tankage, oil meal or wheat middlings is used as a supplement.

"The need for more and better live stock in North Dakota is so great at this time and the market conditions are so favorable, it is greatly to be hoped that much progress will be made along this line from now on. Many agencies including the better farming movement backed by the bankers of the Northwest have created a great stimulus to this branch of farming. No class of business men are closer to the farmer than are the bankers of this state, and none are in a position to do more to promote the industry. I speak in behalf of all the banks of the Twin Cities in stating that they are ready to co-operate with the bankers of North Dakota in any way that will give greater results, along this line. If, as Live Stock Expert, of the First National Bank of St. Paul, I can be of any assistance to any of you, do not hesitate to call upon me."

(Applause!)

President Nierling:

"I will say at this time that all those group districts should have selected a member of the Executive Council before our session in the morning, and there being no further business before us at this time, if it is the desire of this Convention to stand adjourned until tomorrow morning I will be glad to hear an expression to that effect, or if there is any further



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business that you desire to be transacted I will be glad to hear it.

"I desire, before we adjourn, to ask that we adjourn until 9:30 in the morning and let us be here as promptly as possible. We have a great deal of business to transact and also have an extensive and wide social program that our friends in Bismarck have arranged. If you are here promptly at 9:30 we will try to get through with the business as promptly and quickly as possible. We stand adjourned until 9:30 sharp in the morning."

Adjourned.

THURSDAY, JUNE 17

10:00 A. M.

The President: "This Convention will please come to order. Ladies and gentlemen, we are perhaps in some respects fortunate and in another unfortunate. The desire of our Bismarck people to entertain us as they have started out to do and as they expect to do continue today, is such that it will behoove us to transact our business as rapidly and as briefly as possible and I trust therefore that all of those who are participating in this program will aid in this accordingly. It will be necessary for us to clean up, so to speak, practically all of our business before we adjourn for the reason that several other functions of entertainment are set for this afternoon, which will consume practically the balance of the day.

"I will now announce the committee that a motion was made to appoint to whom was to be referred that portion of the Governor's address relative to the Banking Board and that part of the President's address relating to neutrality. As the motion was that one member of this committee should be from every judicial district, it is as follows:

Karl J. Farup, Park River, Chairman; M. F. Murphy, Grand Forks; E. J. Weiser, Fargo; Willis Adama, Lisbon; T. L. Biesecker, Fessenden; T. J. Dougherty, Starkweather; I. P. Baker, Bismarck; J. S. Flatland,

Minot; F. A. Rinkel, Antler; J. H. Wishek, Ashley; Chas. F. Peterson, New Salem; W. C. Caldwell, Monango; Paul M. Brown, Hettinger.

"The Chairman of that committee and all the members of that committee will kindly meet with Mr. Farup, and he is ready to proceed with the business allotted to the committee.

"I have a telegram, received from Grand Forks. It is as follows:

"North Dakota Bankers Association, Bismarck. Please present greetings from Grand Forks Commercial Club to North Dakota Bankers Association Convention. Grand Forks remembers with pleasure last summer's visit of the Association and extends best wishes for a profitable and interesting meeting at Bismarck. Bismarck always makes visits enjoyable. Grand Forks looks forward to another meeting of the Bankers Association at some not far distant date. (Signed) Commercial Club of Grand Forks."

"The next order of business—we will have to deviate somewhat from the program for the reason that some of the speakers are not here in the order printed on the program. Therefore, the next thing in order will be an address by Mr. Burr, the subject 'Dry Farming on the Northern Great Plains.' I have the great pleasure of introducing to you Mr. Burr."

DRY FARMING ON THE NORTHERN GREAT PLAINS

(By W. W. Burr, U. S. Department of Agriculture, Bureau of Plant Industry.)

"More than one-half of the area of North Dakota receives an annual precipitation of not more than

sixteen inches. This amount of water, when favorably distributed, is sufficient on the fertile soils common to this area to produce bounteous crops. Unfortunately, however, the distribution of the rainfall is erratic; sometimes it is favorable and sometimes extremely unfavorable to crop production. There are years when the amount and distribution of the rainfall is such that most any method of seed-bed preparation will produce a good crop. There are other years when the amount and distribution of rainfall is less favorable and profitable crops are not produced by any method. This all too frequent shortage of water when the crop is needing it is the factor that makes grain production in this area a more or less hazardous undertaking. The vital problem before the farmers of this area is how to overcome the occasional droughty conditions. The attempt to meet and solve this problem has in almost all cases been through some form of tillage. Cultivation to conserve moisture has been the motto from both the press and the teacher. In this paper we will try to show briefly to what extent cultivation can be depended upon to solve the problem.

"The data presented has been obtained through the co-operation of the United States Department of Agriculture with the North Dakota Experiment Station. Work has been carried on at four stations: Williston, Dickinson, Edgeley and Hettinger. The average annual precipitation for these stations is from 13.5 inches at Hettinger to 18.1 inches for Edgeley. The annual precipitation at Williston in almost 40 years of record has varied from about seven inches in 1884 to 23 inches in 1880, with an average of 15.2. Dickinson in 22 years has had a minimum of about 11 inches and a maximum of 21 inches, with an aver-

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age of 15.2. Edgeley has had an annual precipitation varying from about 12 to 28 inches with an average of 18.1. At Hettinger the amount has varied from 8 to 20 inches. Most of the precipitation has fallen during the summer months; the highest monthly average being in June.

The effect of the varying amount of annual and seasonal precipitation is clearly shown in the data presented in the first chart. It will be seen that in the years 1910 and 1911 at both Williston and Edgeley the yields of spring wheat were very low under all systems. At Edgeley in 1910 the total amount of rainfall was about 13 inches, but less than 5 inches of it fell during the growing season. By seasonal precipitation is meant the amount that falls between April 1st and July 31st. The seasonal precipitation at the same station in 1911 was less than 7 inches. The total amount, however, was slightly above normal for the year. These two years at Williston the seasonal precipitation was about 6 inches in each case. The resulting low yields show clearly the effect of the low rainfall, and the failure of any method to overcome it.

Chart Showing Average Profit or Loss in Dollars Per Acre in Producing Crops by Various Methods.

Station	Crop	Method.			
		Fall Plow	Sp. Plow	Disk	Sum'r Tilled
Williston	Spr. Wheat	4.15	5.04	6.59	2.64
	Oats	3.74	6.02	6.87	1.92
	Barley	.67	.61	6.61	.41
	Corn	11.48	11.51		6.53
Dickinson	Spr. Wheat	7.51	7.77	11.56	7.75
	Oats	4.01	5.23	9.75	3.72
	Barley	3.83	4.10	10.68	1.93
	Corn	4.97	5.66		2.92
Edgeley	Spr. Wheat	4.15	4.76	7.64	1.03
	Oats	3.35	3.58	5.55	.24
	Barley	.39	1.60	4.94	3.20
	Corn	2.05	2.71		3.79
Hettinger	Spr. Wheat	2.82	3.50	6.24	2.78
	Oats	.53	3.76	6.03	1.62
	Barley	1.70	4.47	1.46	1.64

At Dickinson in 1910 the seasonal precipitation was about 8 inches. In 1911 it was only 6 inches. The annaul precipitation was higher in 1911 than in 1910 but the distribution was such that the yields were much less in 1911.

The yield on summer tilled land at Dickinson in 1911 is the most striking example of benefit derived from moisture in storage that has as yet been recorded in the office. The amount of straw produced on the corn land was practically the same as the amount produced on the summer tilled land but the crop on corn land ran out of moisture just at the time that the grain was ready to fill; consequently the yield was low.

In considering all the data presented in the chart, it will be seen that seasonal conditions have produced much wider variations in yields than have been produced by differences in cultivation. The greatest difference shown in cultivation is at Dickinson in 1911, where summer tilled gave 20 bushels more grain than was produced after small grain. The yields shown after small grain are the averages of both fall and spring plowing. Taking any other station and we find that the variations in yields are within comparatively narrow limits, while the differences between years

are quite wide. In other words, seasonal conditions exert a greater influence on yields than do cultivation methods. As in the case at Dickinson in 1911, one method may show considerable merit over another method during some certain year, but when the results of a series of years are averaged together, as must be done in a continuous agriculture, the wide differences of the exceptional years tend to be much reduced.

In noting the average yields obtained from each of these systems we find that in every case wheat following small grain has given lower yields than wheat following corn. At Williston the difference is only one bushel per acre; at Edgeley and Hettinger the difference is three bushels per acre; while at Dickinson the difference is six bushels. These differences, though not large, are sufficient to at least indicate the most suitable place for wheat is in a rotation. It is not expected that all the wheat can be grown after corn. The area in wheat will always be much greater than that in corn, but this average increase of about four bushels an acre where wheat is grown on disked corn land shows the possibilities for greater returns.

Table—Average Yields in Bushels Per Acre of Crops Grown by Different Methods.

Williston—	Fall Plow	Spr. Plow	Disk-ed	Sum'r Till	Green Manure	After Corn	After Sm. Gr
Sp. Wh't	15.3	15.9	16.2	20.2	18.6	16.3	15.2
Oats	33.5	36.2	37.9	43.9	39.0	38.1	34.5
Barley	17.4	16.1	27.5	28.8		27.5	16.5
Corn	76.55	75.45		73.70			
Dickinson—							
Sp. Wh't	20.1	19.8	23.3	27.5	22.2	23.7	17.2
Oats	34.3	36.9	47.5	49.9	44.1	45.2	35.2
Barley	25.1	24.6	37.4	32.5		37.4	24.7
Corn	36.30			28.80			
Edgeley—							
Sp. Wh't	15.3	15.5	17.7	17.9	16.7	17.7	14.2
Oats	32.2	31.4	33.4	38.3	34.9	32.9	31.9
Barley	16.7	18.5	23.4	20.0		23.4	17.9
Corn	37.45	38.25		34.00			
Hettinger—							
Sp. Wh't	13.4	13.7	15.7	20.4	14.6	15.5	12.8
Oats	22.8	32.0	35.5	32.1	22.2	34.7	27.7
Barley	19.9	25.5	14.9	31.8		14.9	23.7

In order to show further the effect of cultivation, the second chart has been prepared. The average yield obtained for each crop under each method for the entire time is shown. A hasty comparison of fall and spring plowing will show that in the main it has not made much difference whether the land was plowed in the spring or in the fall. The widest differences have been shown at Hettinger, but the record for Hettinger is for only three years. There is very little question but that a longer record will reduce these differences. Disked corn land, when compared with fall and spring plowing, as a means of preparing land for small grain, has given higher yields than either fall or spring plowing in every case, excepting for barley at Hettinger. It is obvious that the labor involved is less where land is prepared by disking than it is where it is plowed, and the advantage of disking over plowing will be brought out more clearly when the third chart is considered. In the work on which this data was based, all operations are done in a thorough manner. Where corn land has been prepared by disking, it is corn land that has been kept free from weeds. If weeds were allowed to develop in the corn,

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similar results should not be expected. To the extent that weeds developed or were unhindered in their growth, the corn ground would approach a grain stubble in the condition of the seed-bed. Where moisture is the limiting factor, weed growth is decidedly detrimental.

Summer tillage, in the main, has produced higher yields of small grain and lower yields of corn than have been produced by other methods. When the cost of production is considered, it will not occupy so prominent a place. Green manure has not served to increase the yields. In the last two columns showing the effect of crop sequence, it is seen that in every case, excepting barley at Hettinger, the yields of small grains have been less where small grain followed small grain, than where they followed corn.

Taken as a whole, the chart does not show extremely wide variations in yield from differences in cultural methods. In the average of a series of years the wide differences are reduced. The differences are much less than were shown in the first chart, which showed seasonal variation. This bears out the statement that seasonal conditions exert a greater influence on yields than does differences in cultivation. There are, however, significant differences which show that cultivation will tend to overcome unfavorable conditions, though it cannot completely do so when conditions are extreme.

least profitable method; except in a few cases there is little difference shown in the profits resulting from spring and fall plowing as a preparation.

The common practice has been made to make wheat the major crop throughout this area. The relative profitableness shown in the data presented indicates that it will continue as a major crop. A common practice has been to grow wheat on the same land continuously. Under this system the ground becomes foul with weeds and the yields are cut down accordingly. The only means of freeing a field from weeds is by cultivation. This would necessitate summer tilling the land for a season or growing a tilled crop. It costs practically as much to summer till a field as it does to produce a crop of corn. Where corn is grown the farmer not only gets the beneficial effect on the following small grain crop but gets the feed. Corn has not been extensively grown in this section, probably because it frequently fails to mature marketable corn that can be sold as cash grain. The comparative profitableness of producing it, however, indicates that corn should receive a more important place than it has been assigned. Corn, as a feed crop, has been more certain than wheat as a grain crop. It is the most important forage crop that is being grown in the state. It has given average good yields and lends itself to cultivation on large areas. Corn in the cropping system will tend to keep the land free from the

AVERAGE YIELD IN BUSHELS PER ACRE OF SPRING WHEAT UNDER VARIOUS SYSTEMS.

Station.	System.	YEAR								Avr.
		1907	1908	1909	1910	1911	1912	1913	1914	
Williston.....	After small grain..	-----	-----	-----	1 3	2 5	32 3	12 1	27 9	15 2
	“ summer tillage	-----	-----	-----	4 9	8 2	39 9	17 8	30 3	20 2
	“ corn.....	-----	-----	-----	0 9	5 3	39 2	15 3	20 8	16 3
Dickinson ..	After small grain..	-----	20 0	30 4	18 4	2 0	-----	20 9	11 4	17 2
	“ summer tillage	-----	33 6	36 9	26 0	22 1	-----	27 2	19 2	27 5
	“ corn.....	-----	33 0	38 3	23 2	4 9	-----	27 8	14 9	23 7
Edgeley.....	After small grain..	6 9	13 6	26 5	4 5	7	30 8	16 1	14 4	14 2
	“ summer tillage	10 9	15 8	27 5	8 0	3 2	35 4	26 1	16 0	17 9
	“ corn.....	13 2	18 2	28 1	5 6	2 3	34 0	23 4	17 0	17 7
Hettinger.....	After small grain..	-----	-----	-----	-----	-----	14 0	13 3	11 0	12 8
	“ summer tillage	-----	-----	-----	-----	-----	19 9	29 6	11 8	20 4
	“ corn.....	-----	-----	-----	-----	-----	16 3	18 6	11 6	15 5

In the third chart is shown the profit or loss in dollars per acre in producing the crop under four different methods of tillage. These profits are based on the average crop produced by that method. In computing the cost of production a fixed wage of \$2.00 per day per man and \$1.00 per day per horse has been allowed for each day's work. A rental value of \$1.60 per acre has been allowed for the use of the land. An accurate record of the amount of work required has been kept and considered. The value of the crop has been figured when it was in the shock and due allowance made for threshing and marketing it. The values assigned for the grain in the shock have been \$0.60 for wheat per bushel, \$0.30 for oats, \$0.41 for barley, and \$0.40 for corn. The corn stover was figured at \$4.00 per ton. These values, though not exactly accurate, give a working basis for comparing the various methods. When based on cost of production and yield, it is seen that disked corn land has been much more profitable in producing small grains than any other method. Summer tillage, which is the preceding chart, showed the highest average yields is seen in this chart to have been the

weeds. Its growth in rotation with small grain will also offer a better distribution of the farm labor through the year. The most important thing, however, in the production of more corn is that it will allow more live stock to be kept on the farm. Where a farmer is depending entirely on a grain crop for his revenue his income is cut off when a dry year causes a crop failure. Where live stock enters into the farming system the returns tend to become more regular and not so dependent upon seasonal conditions.

From a study of the 1913 statistics on crop production in the United States, we find that North Dakota, South Dakota and Montana produced something like one-sixth of the total wheat, one-tenth of the oats, more than one-fourth of the barley, and about 80 per cent of the flax of the entire crop in the United States. More than one-half of the production of these crops in the three states named was grown in North Dakota. Wheat alone in North Dakota was valued on the farm at \$100,000,000 in 1912. We have heard the damage to small grain from weed-growth estimated at from 10 to 50 per cent. When we consider the

value to the state of a 10 per cent increase in production, we get an idea of what even a comparatively small increase means. With the present population, a 10 per cent increase on the wheat crop alone would be from \$15.00 to \$20.00 per capita.

We recognize, of course, that our farmers cannot jump at once into extensive corn production and it is not thought that they should. Corn will always remain secondary to wheat in this state. However, when we consider the advantage of rotating a field with corn and thus getting rid of the weeds, the better labor distribution, more live stock on the farm and the certainty of a more regular income, we see clearly that corn should be grown more extensively than it is. The rapid increase in corn production in this state in the last five years shows that the farmers are becoming aware of the greater possibilities of this crop. Even though corn may not always be matured for grain, it will always produce abundant feed of a good quality. The facts brought out in the charts showed that cultivation can be depended upon to overcome only a minor portion of the shortage caused by a deficiency of rainfall. In order to realize anything like the full possibilities for profitable returns, the farmers must not only employ the best methods of cultivation and crop rotation, but must include feed crops and live stock in their farming system. It is not more acreage in crops that is needed but it is greater returns on the labor and investment employed.

The data on which this paper is based has been recently published in detail in Bulletin No. 110 of the North Dakota Experiment Station and in a series of Bulletins gotten out by the United States Department of Agriculture.

The President: "We have with us this morning the Secretary of the Burglary Insurance and Bonds Committee of the American Bankers Association, who will address you on Burglary Insurance. I have great pleasure in introducing to you Mr. Ruffin."

BURGLARY INSURANCE

(By B. A. Ruffin, of Richmond, Va.)

Mr. President, Ladies and Gentlemen:

"While I am duly appreciative of the opportunity of addressing you, even for a few minutes, upon a subject to which I have given great study and much work, I nevertheless find myself confronted with a very uncertain and difficult situation. The President of your mutual burglary insurance company is a member of the insurance committee of the American Bankers Association. I listened with a great deal of interest to Mr. Beckwith's report and I have to congratulate you upon the very good showing indicated by that report. You have a number of stock companies which are offering you their policies and their bonds, and anything I may say in my brief and hurried remarks will not be directed to them nor to any particular lot of insurance companies, but rather a general discussion, including methods which this committee thinks may be improved.

"I am going to hurry very rapidly because of the necessity of abandoning the address that had been prepared for this occasion. I am going to make it brief so as to reduce to the minimum the discussion of burglary insurance—some such sentiments as were expressed by the young man who was rushing down the street and who was asked the cause of his haste. 'My mother-in-law is dying,' he said. 'She ate some

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MR. B. A. RUFFIN

cucumbers and I am afraid she is going to die.'

"And the other man said, 'You are going for the doctor, of course.' 'Doctor hell, I am going for more cucumbers.'

"There is just one other thing before I get to this subject that I want to comment upon, and that is the surprisingly small number of your Dakota bankers who hold membership in the American Association. When I think of the small annual cost and the great number of advantages that come to the banks in that membership I wonder that all of you do not take membership in that great Association, and not only receive some benefit to yourselves but help carry on the work of the American Association. We have at your service the Association's attorney who will respond to your request for a legal opinion upon any legal question. And there is a large library there, presided over by a competent librarian, and you will find information in that library on any matter. Then there is the protective department, maintained at a cost of \$13,000 a year, supported by the Burns Agency, and giving a service which I believe is unparalleled by any service offered any of the banks of the country. In addition to that there is the insurance department. All of these things come to you in return for the annual fee, and I do not feel that I am presumptuous in suggesting that you look into these advantages.

"It has been my experience with the bankers that they do not take the trouble to inform themselves particularly about their insurance policies. There are three thoughts that I wish to present to you. One is the character of the insurance; another is its cost, and the other is the ability of the insurance company to pay. With reference to the kind of policy that you carry it is your custom—I assume that it is as it is with most bankers—to rely largely upon your insurance agent. The insurance agent delivers you the policy and you put it in your vault. You don't inform yourselves as to just what is in it. Then when the loss comes and the insurance company points out some condition in the policy which prevents your recovery you are just as much surprised as was the

congregation of the colored preacher who was reading his text: 'And Noah when he was four score years old and ten took unto himself a wife' and turning the page he inadvertently turned two pages and read: 'forty cubits long, twenty cubits wide and lined inside and out with pitch.'

"I find some other bankers, too—I can't benefit you unless I give you these facts as they are according to my experience—I have found some other bankers who had such correct opinions of just what their insurance policies covered that it reminded me of a young married woman who applied for a life insurance policy on the life of her husband and the agent asked her to select a company and she chose the Liverpool and London and Globe. The agent said, 'Why that's a fire insurance company.' And she said she knew it and that was the reason she wanted her husband's insurance in that company.

"The theory of burglary insurance is to pay the bank for loss by burglary. All the policies heretofore offered have limited their liability to losses such as may occur by reason of the application of tools or chemicals or other force to the equipment of the safe. Unless the equipment was opened by tools or chemicals or explosives the insurance company had no liability. It is the theory of this insurance committee that a policy should be devised by which the bank would be able to collect its loss for depredations made by outside parties without collusion of any person in the bank, and the American Bankers Association is making a first step in that direction. It is not yet satisfactory to us but it is an improvement over the policies formerly offered by insurance companies. Your mutual company is handling that form of policy and will deliver it to you upon request. There are other conditions that should have your attention. There is the distribution of salvage. If a burglary occurs and the criminal is apprehended and any of the money is recovered that part of which is recovered ought to be applied to the loss. The policies provide now that in the event of the recovery of any part of the money the insurance company keeps the money and pays the difference. That isn't right.

"Then there is the matter of warranties. You are asked to warrant that certain conditions exist; that your equipment is of a certain character; that there is a certain burglar alarm; that certain watchmen are employed; that there are never to be less than two employees of the bank in the bank after ten o'clock at night, and many other warranties. When you apply for your policy you answer the questions asking those things. Then you promptly forget what you have signed—what you have agreed to do, and when the burglary occurs you find yourself in the position of having signed the written answer in just the same way that the little fellow did who came back from school crying. His father asked him why he was crying and he said, 'I was kept in after school and it was all your fault.' And the father asked why it was his fault and the little fellow said, 'This morning before I went to school I asked you how much a million dollars was and you told me it was a hell of a lot, and that wasn't the right answer.'

"That is one way of presenting these things to you, and you perhaps will remember them best that way. There are many other things in your insurance policies that should be looked into. Look very carefully into the things you are buying so that when you undertake to collect on them under your policy you will not be presented with some excuse or involved in a dispute. There are some fifteen thousand banks members of the American Bankers Association who are paying annually some \$700,000 a year for their

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burglary insurance. Whenever a loss occurs it is reported to the Burns Agency and to the protective department of the American Bankers Association. We are in position where we are able to check absolutely the losses paid by the insurance company to the member banks of this Association and we find that for years they have been paying back only ten per cent in losses on account of burglary of the premiums collected from the banks. Last year they collected \$700,000 for this form of insurance and paid out only \$70,000 in claims. If that be true why should not the banks have a cheaper rate on that commodity? The insurance committee thinks they should have, and we presented it to them and they accepted it and we think that before very much longer there will be a twenty per cent reduction, or something like \$140,000 a year from the banks' insurance rates.

"As to the ability of the companies to pay I will treat of that very briefly. I am not going to attempt to tell a lot of bankers how to determine the solvency of insurance companies. Their statements are published, and you know about it perhaps better than I do. It only requires a little care and a little investigation on your part. While it is undoubtedly of advantage to you to patronize your home companies, for that means you keep your money in your own state, and when a bank has a loss the local insurance company is going a great deal farther to protect it, yet the insurance committee of the American Bankers Association does not entirely endorse all of the small insurance companies of the country. We only suggest that you watch their financial condition carefully, if you place your insurance with them, and make sure that they will be able to pay claims against them.

"I am sorry that I cannot go a little bit more into detail in discussing these matters but the rush on your program is such that I have had to submit to you these few ideas, hoping they will be of some value to you. If you will address inquiries to us we will do the best we can to give you any information at any time. I thank you." (Applause!)

The President: "We have with us today a gentleman whom we have been looking for for several years. I am very glad to say that we have been looking for him, and not he for us, and I trust that this same condition will continue in the future. We have with us one of the greatest detectives not only of this country but, I think, of any other country, Mr. William J. Burns, Chief of the Wm. J. Burns International Detective Agency, who will address you on the subject of 'Modern Methods in the Protection of Banks.' I have great pleasure in being able to say that Mr. Burns is fully as good in his work as his personality will show. I have great pleasure in introducing to you Mr. Burns."

Mr. Burns:

Mr. President, and Ladies and Gentlemen:

"If any of you whom I disappointed in not getting here at your last meeting or the one before that, are here I want to apologize and I want to say to you further that it was not my fault that I was not here. Before I finish I hope to touch on at least one of the cases in which I was engaged that prevented me from being with you. I want to say to you that it is not only a great pleasure but indeed I consider it a privilege to be invited to address this splendid gathering, and when we stop to consider that all these busy men have paused to attend this Convention it indicates to me that you are tremendously interested in strengthening your organization, than you understand the necessity for your organization and you have listened to some splendid addresses here this morning that touch directly on some of the features that you are interested in.

"I propose to touch on a few more. We have



MR. WILLIAM J. BURNS

reached the period, and it is here now, when it behooves the banks of this country to get together and form the strongest organization that is possible, not only for its protective measures, from burglaries, but for the protection from a different class of what might be called burglars. Before I finish I am going to point out what I have been endeavoring to do for the bankers since I have taken over the protection of the American Bankers Association and their members. You know it does not rest with the detective entirely to give this protection. We must have the hearty co-operation of the individual members and when we can succeed in getting that then we can give the very best class of protection, but it is very important that we have that. You are fortunate here in your organization, and with all due respect to your President I want to say to you that your Secretary, Mr. Macfadden, is entitled to a great deal of credit for the work that he has accomplished, for as Colonel Farnsworth of the American Bankers Association said to me, in discussing Mr. Macfadden, 'He is undoubtedly always on the job.'

"I have been advocating, since taking up the work of the American Bankers Association, what I call protective measures in looking after the banks. I strongly believe—in fact I know from experience—that it is possible to teach that class of people who prey upon banks to know and understand that it is unprofitable; that justice is bound to overtake them; and upon that point, in administering this class of protection, it is exactly where it is necessary to get the co-operation of the individual banker. When I first took over this work I found it indeed very difficult to induce the banker who had suffered a loss to agree to swear to a complaint, with the result that those men ran over the country and robbed and plundered and stole with impunity, and especially when it came to forgeries, up to within the last three or four years. The bankers themselves have got to understand that it

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is far more profitable to the bankers in general to prosecute those cases. I understand, of course, that there are cases that should be compromised, and the American Bankers Association understands that, but they are rare, and wherever possible prosecution ought to follow and thus teach the men who prey upon the banks that prosecution is bound to follow when they seek to rob a member of the American Bankers Association. In other words, every person should understand that wherever that card hangs, of the American Bankers Association, it means trouble for those who seek to rob the bank. A year or so ago Sir Arthur Conan Doyle, the creator of Sherlock Holmes, visited this country. I entertained him while he was here and we discussed a great many features in what we call modern detective work and I said to him that I was advocating protective measures. That was new to him. He had never heard of that before nor could he understand how it was possible to apply it. It seemed so vast to him, but I went in to it in detail and pointed out to him that where you take a group of eight or ten first and educate those eight or ten, you get the entire country, or at least the people in the country who prey upon the banks. Then it was that he thoroughly understood how it was possible, especially with the various features attached to this protective work. It is not only the prosecution of the cases where they prey upon the banks but, my friends, don't you know that all other prosecutions for thefts and depredations have a tendency to educate the criminals as to what must follow if he seeks to rob people who come within the protection of, for instance, our own agency. Nor are we responsible altogether. Recently you have passed a law—and I understand it is recent here—and that it has a very salutary effect—you have a law now in this state that where they use explosives in committing their robberies it means twenty years in the penitentiary. Even if they are found with a pistol it means two years, and that is an excellent law. The percentage of robberies has materially decreased since these laws have gone into effect.

"Very often I am asked whether or not I believe in capital punishment. My reply always is that I certainly do. While we all deplore the hanging of an individual or the taking of human life, yet society must be protected and in order to do that in my opinion the greatest deterrent is capital punishment. I have been telling the people of this country for some years past that you could go into any of the large cities of the country and there employ men for a price to take human life, regardless of who the individual was that you sought to kill. I was taken severely to task for making that statement, and by one of the best citizens in the country. He came to me and said that he did not consider it was a proper remark to make; that many people believed it was absolutely true, and I asked him if he didn't think it was and he said no, I am unable to believe that in this civilized age that it is true that you can, for a price, arrange for the murder of an individual, regardless of who he is. Very well, then, I will tell you that I will, if you wish, arrange to have you killed. And I put a dictaphone in a room and for \$250 the fellow we found agreed to send him to the hospital, and for \$500 to kill him. There is no longer any question in his mind. That was some time before all of these disclosures that is now going on in New York and we have found since these disclosures that the price has been very appreciably reduced since then. You read the other day of a fellow running around loose in New York killing them for \$150.00. But the day of reckoning came for that man, and so

it will for all of them, my friends. Every criminal leaves a track. There are no exceptions. Sometimes I am asked, then why don't you catch John Smith or Bill Jones that passed a check on us? Because you didn't remember him and you can't identify him. That is the reason, in many cases. It is astounding sometimes. I have listened to Mr. Dreher here tell of the American Institute of Banking. Let me add to what he has said—and I want to endorse everything he has said regarding the institute of banking, and everything else he said, as far as that is concerned. But we have the very flower of the young men of this country in that institution, and you talk about detectives—there are the greatest detectives in the world. Many people are under the impression that it is the secret service of the United States that discovers the counterfeit notes when they come into circulation. Not at all. I spent over twenty years in that service and we never discovered a single counterfeit note. It was always those splendid, keen young men in the banks throughout the country that discover all of them and they are entitled to the credit. I have endeavored in every way possible to suggest a number of methods and tests, which obviously I couldn't mention here, to those young men in an effort to better enable them to determine the forger or the crook who presents himself at the paying teller's window but there is one thing in particular that he should always bear in mind, and that is to notice particularly any stranger for whom he cashes a check so that he may be able to identify him. Many of you may say it will be absolutely impossible for him to do that. Not at all. I have found occasions where, when we first called upon the bank, or the young man in the bank to identify a man that passed a forged check and he was unable to give us the slightest description of him, but when confronted with the individual was then able to pick him out without hesitation, showing the wonderful memory these young men have.

"So that in bringing about and advocating the preventative measures in the protection of the banks it is not the detective alone that is to be taken into consideration but, as I said, we must have the hearty co-operation of the individual banker and when he gives that it enables us to reduce to the minimum the depredations against the banks. Many people are under the impression that the detective ought to be able, without the aid of the bank, to apprehend those men, and they don't like to lose any time. My friends, let me say this to you, that every moment you give to that work is not only to your individual benefit but you are doing much to aid in protecting every bank in the country so that when you bring this to the greatest degree of perfection you are aiding yourselves.

"I have been telling the people of this country time and again that every criminal leaves a track, and I stated the same thing to you a moment ago. I may also say that there are no mysteries nor does it require any extraordinary acumen in doing this detective work. I have been trying to point out to the people that there is nothing in this detective work except the application of the same common sense and business judgment that you apply to your everyday affairs, and when you do that you can get the results just the same as Burns or anybody else. I have also been advocating, in addressing the students at the large colleges and universities throughout the country, and pointing out to the young men what it means to build and maintain a good reputation, and while you recognize the importance of getting together and bringing your system up to the highest

degree of efficiency, let me remind you that there is something else that it is your duty to do, namely to raise the standard of morality as high as possible, and no person does more to accomplish that than do the bankers. I have cited some of the cases to show how easily the criminals are caught simply because many people say to me, you tell us that you have only to apply common sense and the same judgment that we do to our everyday affairs, but we don't think so. Now let me cite a few cases.

"One of the very best illustrations that I know of is one in which bankers are particularly interested, namely, the investigation of a certain one hundred dollar silver certificate, which was the best counterfeit that was ever executed; so good that all the experts of the treasury department declared it genuine. The men who made that note spent two long years going over the entire situation, stopping up every crack and every crevice so as to make absolutely certain there would be no possibility of being caught. One of them wanted to print the notes on ordinary bond paper. The other fellow said, No, I will never agree to it until we can get the genuine paper; and they immediately began to experiment on the genuine paper, and spent \$120,000 in their experiments until they had succeeded in making it as well as the government. In order to get it exactly, one of these fellows, who if their diligence had been directed in an honest channel, would have been an ornament to society and would have made a mark in this country, invented a scheme of bleaching the back of a number of one dollar notes. It was an easy matter to bleach the green. Then they split the note and took the halves of one dollar notes, pasted them together and

then they made a piece of genuine paper. But that was a great deal of trouble and they only made ten thousand dollars in this, but just as we got them they were about to make ten million. There is a case where under all the circumstances you would hardly be able to find a thread to pick up and run out, and I am telling you this for the purpose of illustrating the impossibility of the criminal covering his tracks. In the absence of any of these threads that I speak of the matter was sent to me for a solution and I took it up on what you might call a theoretical basis. The fact that the note was absolutely perfect indicated that the chemicals had been used. The printing of the note was so sharp and perfect that it indicated the use of a steel plate and thereby the deduction that they made it from these plates in what we call the photo-mechanical process, and so, knowing that there wasn't two hundred men in this country that could do it we merely had to take up every man in the country that could do it. In three weeks I located the men in Philadelphia, but without a particle of evidence but the fact that here were the two men that fitted the situation. They were high up in the photo-mechanical process; they understood every feature that was necessary to accomplish what they had accomplished. It required a year to get the evidence. Many of you remember—and this teaches a great moral, too, that we were betrayed by one of the government officers—not a secret service officer, but one in the revenue department, and this man—and this illustrates, too, that old saying that every man has his price—when the government officer went to the counterfeiters and blackmailed them they gave him \$2,500 and he said to them: 'You have done



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me a great favor. I will give you some information; a man by the name of W. J. Burns is investigating you.' That is all he told them. That is all he could tell them.

"These same men were making counterfeit cigar stamps and had a large factory and were cheating the government out of \$250,000 a year in cigar stamps. They said, 'If Burns is investigating us why doesn't he come in and get us?' They couldn't understand it. They made up their mind that this fellow was simply blackmailing them. In three or four months they discovered that there was really an investigation. They said to this fellow: 'Here is \$25,000. You take it over and give it to Burns and tell him to hold off until we can collect \$280,000 that is coming to us at the factory and when we have accomplished that he can go in and make this arrest and he will be a great man.' This fellow—about the only redeeming feature I found about him—gave me the credit of being honest, and he said: 'If I take that over and hand it to Burns he will take the money and arrest us, and I won't take the chance.' They said: 'Burns never saw that much money in his life.' And that was right. And so they came over to Philadelphia. They had been cunning and everything else. They had surmounted the most wonderful obstacles in bringing about this affair and they hit upon the plan of watching the secret service mail box in the postoffice for about five or six days, and they found out that we were watching them. One fellow said: 'This man is right. If we give Burns this money he will arrest us. Here we are within three weeks of making ten million dollars. We will get a man to give this to Burns that Burns don't dare turn down'—meaning a man that I would not dare to arrest.

"You know that is where he lost out. I am always looking for the bigger fellow, because I am one of the little fellows myself, and I have always felt that in order to properly investigate matters of this character you should reach always for the man highest up, but I want to tell any of you who seek to be detectives and do that that there is where your trouble will begin. At least that is true with me. They never have forgiven me.

"One of them said to the other: 'Well, where will we find such a man?' 'I know the man—the ex-United States District Attorney.' 'But how do you know he will do it?' 'When he was United States District Attorney I paid him \$5,000 to nolle pros a case for me; therefore I know he is available.' And they straightway went to this man—and I went with them. And the man promptly accepted the retainer. The lawyer asked them: 'How do you know that Burns is making this investigation?' They didn't want to tell at first but he insisted on it and then they told him that they had it from a government officer. The lawyer then made up his mind that the revenue man was blackmailing them and he made an investigation to determine whether or not we knew of the counterfeiting and he concluded that we didn't, and so they sent for the counterfeiters and said: 'We have finally gotten Burns so you can go ahead.' And they went ahead, and one day we walked in and arrested them. Then they wanted to know what had happened and where I stood. They thought they were being double-crossed. So they were, but not by me. Then we got the lawyers themselves—fellows that were too high up and powerful for Burns, simply because I was a common, ordinary, everyday detective.

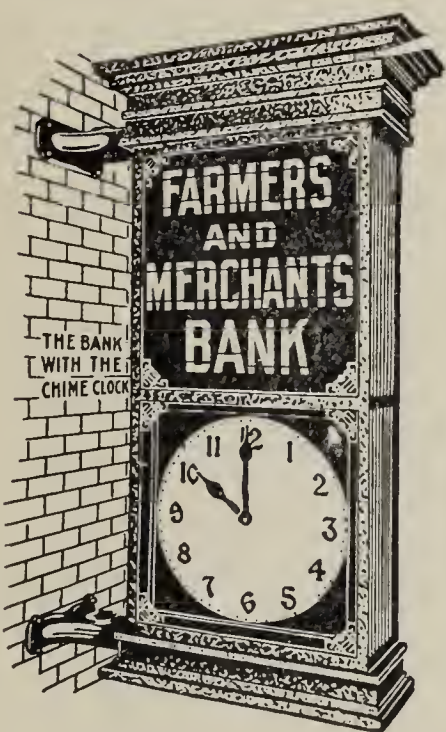
"They all went to the penitentiary, and many of you may remember that while they were in the penitentiary, waiting to testify against the lawyers, they did the most wonderful piece of work that we have

ever heard tell of. There in that prison cell, in two months they executed a wonderful note—a \$2.00 note, printed it in their cell and sent it out. This man Brockway was a slippery fellow and for over twenty years he had succeeded in compromising with the government whenever he was caught by giving back his plates on condition they would let him go. This same man succeeded in getting a young girl that was tending the press to run a piece of tin foil through the press so they got a good impression and from this impression they printed these notes and turned out \$80,000 worth before anyone knew they were bad, and they had to send for an old counterfeiter to go to Washington and pick the good ones from the bad ones. They had read of Brockway's capitulating with the government so another lawyer went to them and told them that if they made the plates he would do that for them. They made it on the inside and sent it out. We succeeded in convincing them that they also made that note and the lawyer and the entire crowd went to the penitentiary.

"The point I wanted to make in telling you the long story was this: One of the cleverest of the lot said to me: 'Mr. Burns, won't you kindly tell me how you caught us.' And I told him just as I have told you. That didn't appeal to him. He didn't think it was possible, as he told me that 'we spent two years in stopping up the cracks and crevices and we supposed everything was perfect and we are sure that we have been betrayed by some one on the inside. He finally reached the conclusion that it was true, and it was a very simple way of getting at it. And that, my friends, has a tendency to convince that character of man that the man doesn't live who can hide his tracks.

"I have been asked, 'Couldn't you commit a crime and hide your tracks?' No; the man does not live that can do it, because the detective in committing a crime is no better than anybody else. Unfortunately, while they ought to be above the commission of a crime, many of you, I suppose, have either heard or had somebody else tell you what their opinions were of detectives in general. I believe in turning the light of publicity on every crook that preys upon the public. I think this is one of the ways to prevent them from preying upon the people. Detectives as a class are the crookedest lot of blackmailing thieves that ever were overlooked by justice. (Applause!) Some of you have been stung. Only just now there was a man going over the country by the name of Cummins, J. H. He has specialized in checks signed by our agency. So I want to say to you bankers that if anybody ever presents you with a check—one of *our* checks—either hit him with a club or have him locked up at once. We don't give out checks promiscuously to those men, but it shows how far they will go. The crooked detectives feel very much abused at my saying this, and I want to say that I do not say it in a vindictive spirit at all but for the good of the public. Some time ago I was delivering an address before five or six hundred doctors and I told the doctors about the detectives. Later I was sitting in my room at the hotel and the telephone rang and a voice asked for me, and said, 'I am a private detective. Did you tell those doctors that we are all blackmailers and crooks?' I said: 'What's your name?' 'None of your business.' 'Well, come up here and I will give you some information about yourself that will possibly keep you out of the penitentiary.' Then he told me where I could go.

"So that the detectives are not entitled to any more credit than anybody else, and let me say to all of you that whenever you find it necessary to deal



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with a detective, look him over carefully. One of the hardest things I have is to keep my agency clean, but occasionally one goes wrong. I don't try to shield those fellows. If I find a crook in my agency I show him up and that only makes my competitors try to say that the Burns Agency employs a lot of crooks. They are welcome to say that. This tends to show what the corrupt, crooked detective will do in order to cover up his inefficiency."

"There is today in Atlanta, Georgia, in the penitentiary, Leo M. Frank. He is as innocent as any man here. (Applause!) I am very thankful to know that others hold the same opinion. I have never dared in my life to make a statement that would not bear the open light of truth. I was called into the case—was absolutely forced into it—and to those who sought me out and asked me to make the investigation I said this: 'I know nothing about the case, but I want to be perfectly frank with you. It was a most atrocious murder and whoever was responsible for it ought to pay the very highest penalty, and if I find that Frank is guilty I will withdraw from the case at once.' They said to me, 'Go ahead; that is all we ask. We want your opinion of it.' And when I got into it, my friends, I took it up from its inception. I went over every step of the way, and I found that there was not a single, solitary iota of evidence upon which to predicate the arrest of Leo M. Frank. And when people ask this question: 'Why did they select or pick Frank, let me tell you a few preliminary features that will have a tendency to make the case absolutely plain. We are watching every day now to see what the governor is going to do, and we hope that God will guide him in a proper direction in this matter, because if that man is hung his blood will be

on the hands of those responsible for it, because he is an innocent man.

"There were twenty-one atrocious murders in that city of Atlanta, because they have a police department there the detective end of which was absolutely useless. They are men, to use a common phrase, that couldn't catch their own breath; and when those twenty-one murders occurred—negro women mutilated, showing the work of the pervert—not a scintilla of evidence was ever gathered in any of the cases. They never came any where near getting any proofs upon which they could trace these murderers. Then came a murder there where a woman killed her husband. She was acquitted and the people became very much excited—and you couldn't blame them—and so when this atrocious murder occurred the newspapers promptly put the police department on trial and said to them: 'Do something in this or get out.' So they looked about and had to have a victim, and they never tried to use the detective method, because there was abundance of evidence, past and present, which I found eleven months after it was over. As a matter of fact the murder notes found on the body of the little girl told the story perfectly. So they selected the last man that admitted he saw her alive, which was Leo Frank, and the colored man, Newt Lee, who found the body. Three days after the murder they arrested Connolly, the real murderer, washing the blood off his shirt. They took him to the station, but that didn't agree with the police theory. They at once eliminated that policeman from the investigation, locked Connolly up and gave him back his shirt. Eighteen days later they found that he was the writer of the murder notes, and Frank was the man that enabled them to find that he was

the writer of these murder notes. One day a man went to the pencil factory and said to those in charge: 'Do you know as a positive fact that Connolly can't write?' And they said: 'No, we don't know, but Leo Frank might know.' And he went to Frank and Frank said: 'Why, of course he can write. Go to my safe and there you will find a card signed by him when he purchased a watch on the installment plan.' They did find the card and when they confronted the negro with the writing and the murder notes he admitted that he was the writer of the murder notes; and it is my opinion that the detectives put it into the negro's mind to say that it was Leo Frank who directed him to write the murder notes. Then they arrested Frank. Now they say they arrested him for fear he would be mobbed, when there was no evidence against him, and the other day before the pardon board they said there never was a chance of his being mobbed. But it was the seething mob that surrounded the court house that was responsible for the conviction of Frank, and the time will come when this whole matter will develop and will be as plain as the light of day, and I believe that it is bound to come. And I say that to you because it is in keeping with the general discussion that I have had here as to pointing out that the criminal is bound to make a track. They never fail.

"And now in conclusion, my friends, the bankers, let me say that we are asking your heartiest co-operation in bringing about a situation that in my opinion is going to reduce to the very minimum the depredations against banks. The yeggs that we have heard so much about have been almost eliminated. The professional burglar is almost eliminated. Today it is the amateur that is preying upon the banks and making all the trouble. And very often we find that some of those young men who pass those checks have friends in the community, and like every other person who commits a crime they never think about who they are involving in this or who is going to suffer until after they get the bank's money. Then they tell you about their fathers and mothers and wives and children and so on, and it is always that way. So that the amateurs must be made to understand, and that is the class of people that you must educate today so that they will know that the man who attempts to prey upon the banks is going to be punished and that the punishment will be swift and sure.

"Our agency has suggested a feature that I think would be very important and very interesting. They are advocating an interstate commerce act on people who operate, for instance, against the railroads. Why not invoke that in the protection of the banks? We are confronted with this situation. A man passes a check on a Chicago bank and the check is made payable on a bank here in Bismarck. You have got to bring witnesses from Bismarck to Chicago to testify that there is no funds there. It isn't so much the money as it is the time that it takes; and the result is that the forger goes free. Now it ought to be the duty of the government to bring those witnesses on, and it ought to be the duty of the federal government to prosecute a case of that kind. Who could possibly be injured, my friends, and don't you see how far that would go in reducing the crimes against the banks? And it is just as logical as many of the things that they are doing today. Who needs protection more than the banks of this country? And that is one of the ways of getting it.

"Now in conclusion let me say, my friends, that wherever any of you bankers have trouble of any character that comes within the purview of the American Bankers Association we will be glad indeed to

respond at once wherever it is and keep after the matter until the man dies or is arrested. And let me say also—Mr. Ruffin mentioned it—I am surprised to learn that there is almost a hundred banks in this state that are not members of your organization. I cannot for the life of me understand how a man can be in the banking business and not be a member of this Association. I think every bank should be a member of the American Bankers Association, and my friends, it doesn't make a particle of difference to me—not a bit—but the features of your organization and of the American Bankers Association are such that it offers to the bank every safeguard that you can have against danger.

"Now let me give you an illustration. In a little town down in Kansas there were three banks. The yeggs came in one night and robbed two of them. Those two were non-members of the American Bankers Association. The bank that was not robbed was a member. It may not follow that the failure to rob that bank was because it was a member of the American Bankers Association, but the banker had the courtesy to think that; it may or may not have been true. This is what happened: The insurance company that insured the other two banks employed us to find the men that committed the robbery. We sent out an alarm and description and so forth and a little later they were arrested by a sheriff. I want to say to you that the sheriffs are entitled to a lot of credit, as well as the police, in bringing about the arrest of the men who defraud banks. The sheriff arrested these men and the manager of my Kansas City office went to the jail to see those two men and they said to him, "You are from the Burns Agency, aren't you?" "Yes." "What are you sticking your nose into this for; we let your member alone." "Why," he said, "the insurance company that insured the other two banks employed us to find you." "Well, why don't they put up a sign so that we will know who is responsible?"

"Let me tell you another story right on all fours with that. Just the other day in New York—and New York has more criminal characters than every place else in the country put together—there is a lot of those vultures there. Here a short time ago in New York a very prominent actress was living at one of the hotels and she frequented one of those dansant places—that means where they dance, that is as near as I can say that French word. These fellows rented a room next to hers and planned to rob her, knowing that if they did rob her they could then send word to her to let the matter alone or they would tell what they knew. They got a room. We protect most of the good hotels in New York and our man became aware of what was going on and we put a dictaphone in the room of one of these men and our man heard all the arrangements for robbing this woman and they thought they would get probably sixty or seventy thousand dollars worth of jewels, and for good measure they were going to take her furs. At the resort where these men hung out a stranger happened in one day and looked mysterious—the very last thing that a detective would look, or ought to look, and they picked him out for one of our men—the guilty conscience did that. So one of them came to the room and said: 'The detectives are watching us; we will hold off for a while,' until they could locate this Burns man. That fellow didn't belong to us but they concluded that he was really a Burns man and they piled out; but they left two empty satchels and didn't pay their room rent. So I had the hotel make out a bill for their rooms, in their own names; they hadn't registered under their own names; and then one of

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my men walked up to them and presented the bill. You can imagine they nearly threw a fit when they read it. They said, why certainly they would pay it but they didn't have the money when they left and they both had to go out and borrow money to pay. I guess business hadn't been very good with these fellows. Our man said, 'We want you to learn to leave the hotels we protect alone.' They said, 'We didn't see your sign around there anywhere.' And he said, 'Well, you didn't look good.' They followed our man and said, 'Do you protect such and such a hotel?' We didn't, but we promptly sent word to them to look out.

"Now, my friends, I am trying to impress upon you how much the sign means, so that when a man goes into a bank and sees the American Bankers Association sign there they ought to be given credit for realizing, when they read that sign, that when they prey on that bank they will get caught. The very first case we ever had after we had taken over the American Bankers Association was at Chatwick, Ill., and when we got those fellows I tried to get a confession from one of them for this purpose: a circular had been issued by our competitors telling the banks to look out, you are going to be robbed and everything you have is going to be stolen. I wanted to know whether the circular impressed them and I finally got a very frank talk from one of the men and he said: they were told—you know every time they plan to rob a bank's safe there is always some person in the community to look the field over. He said they were told that there was \$80,000 in that safe. They found \$15,000 but they took the gambler's chance. He said they ought to have paid more attention to that sign. I said that what I want to know

was this: Did the circular impress you to the extent that you thought you could rob that bank without getting caught, or did you think we wouldn't stop until you were in the penitentiary. He said, we thought that was the natural conclusion; that the American Bankers Association knew what it was doing, and having the protection of the banks and the responsibility for it they must know they are getting some one that is going to prevent that work, but we took this chance. We are sorry that we did. We will have more respect hereafter for the sign. He is doing twenty-one years that fell on him, and on the rest of them. It behooved us to stay with it so that it would impress others.

"One of the strange features is this, that the banks go to all the trouble of building fine, splendid institutions, applying all the methods of efficient banking, and many of them forget entirely the necessity for safeguarding their property, and I want to say to you that if the banks will join your Association and become members of the American Bankers Association you will be certain that all the protection it is possible to give will be given. We are advocating now the protective measures. It isn't merely a figure of speech but it is absolutely true, and of course I have always been compelled to make good in every instance in order to convince the people that those assertions are meant to be more than mere words.

"And I want to thank you for the pleasure of having met you. I am at your command personally, and if there is anything I can do or that our agency can do I want you to call on us and we will be very glad to comply with your request."

(Applause!)

The President: "Next on our program is an address by Mr. H. J. Dreher, of Milwaukee, Wis., Past President of the American Institute of Banking."



MR. H. J. DREHER

Mr. President, Ladies and Gentlemen:

In the birth period of this nation services incalculable in value and of enduring worth, were rendered by financiers, by banker-statesmen of the highest type. No nation anywhere, at any time, has produced names more worthy of enrollment upon the scroll of history and less capable of being eradicated, than those of the great men—Hamilton, Morris, and Gallatin who have so deeply impressed upon the development of their country, the unusual gifts of personality, genius, and lofty patriotism with which they were endowed.

In this great hour of history, when the fields of Europe usually devoted to the peaceful cultivation of the soil, have become fields of death, and the blood of men is being shed in profuse measure, how essential and altogether fitting it is that we of America, removed from the influences that have directly caused this awful carnage, should consider, as we never have before, what this catastrophe will mean to us and to our posterity and what we must do to secure to our country greater benefits, greater prosperity, greater power than ever before enjoyed.

For the past fifty years the activities of bankers have been concerned almost entirely with the development of a virgin territory. The bankers of North Dakota have done as much as any other body of citizens, if not more, to make their state what it now is. How wonderful to think that the old territory of Dakota, the battleground of the Sioux, has become one of the great producing centers of the world. What contrast between the old designation of "great desert" and the figures of the government decennial report which show that one-sixth of all the increase in improved land in the United States is accredited to North Dakota, the increase during the past ten years being 112 per cent more than in any other state of the union,

and that the corn production of the state has nearly doubled in the same period of time.

Gentlemen, you have performed great service for your state. Your public officials appreciate that great service and publicly acknowledge it. It is a splendid, an unusual, tribute that in a public report it should be mentioned that you, especially, as a class gave aid and encouragement to the dairy and agricultural development of your state by making reduced rates of interest to aid purchases of stock.

And now I would challenge you. I came here to place before you a series of facts and enlist you in the advancement of a great profession. My challenge is this: In the wonderful development of your state, which has so worthily engrossed your attention, have you given sufficient thought to world-wide banking, and has your country, its needs and its future relative position amongst nations had the full measure of consideration that you as a banker should give to it?

The most casual observer, the most superficial student of public events, has not failed by now to realize that our country stands on the threshold of a new period of development and consequent relationships. That development is fraught with problems and dangers and it will require the best thought in America to direct it aright and make it constructive in the highest degree.

As of a night the importance of banking has been crystalized and accentuated. The nations of Europe mobilized their citizens as armed soldiery and impressed the peaceful agencies of commerce for war purposes. Then we realized, as never before, the interdependence of our economic life with that of the nations of Europe and we were brought face to face with a state of acute financial and economic change. By chance alone, after years of discussion, when the economic and financial structure of Europe was shaken, when by means of moratoria the payments of debts were legally postponed, we had on the statute books of this nation an adequate banking act. Thanks to it and to the prompt action of the Federal Reserve Board, this nation, at peace, highly prosperous fundamentally, was saved from acute financial disorder.

And yet this law that saved you from distress of financial storm is little understood by many of you. You have gathered a hazy conception of its substance. You realize that it aims to mobilize the reserve forces of our country for common use and provide a currency adequate to meet changing conditions. Is it what you as one thoroughly conversant with the conditions it seeks to remedy would unqualifiedly endorse? Is the fundamental conception of its sponsors, namely, the providing of cheap money, an entirely sound one? Does it accord the members of the Federal Reserve Board, entrusted as they are with unusual powers, the ability to resist political pressure by who ever exerted and exercise their judgment solely for the best interests of the nation, oblivious to the clamor of present or selfish advantage? Are its reserve provisions conservative? It was the opinion of the legislature of Wisconsin that they were not and the amended Wisconsin law governing state banks provides for a uniform reserve against both demand and time deposits of 20 per cent in banks in reserve cities and 12 per cent in country banks. Is there not danger of inflation both of credit and of notes? I heard but recently the director of a Federal Reserve Bank, a highly capable business man, make a plea to member bankers for rediscounts, which have not been forthcoming because necessity did not demand so, in order that the bank might accumulate sufficient profits to pay dividends. Do you understand what commercial paper really is under the law and do you believe that commercial

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paper is always an entirely liquid asset? The experience of some banks in 1907 with packers paper, surely high grade and considered liquid, would seem to indicate that it was the packers who were partially liquidating the country at the time by a continuous use of credit, which process compelled the banks to carry packer's paper in their portfolios unliquidated. Do you believe that the provisions regarding acceptances are sufficiently broad in scope to adequately aid in the development of a true acceptance market and promote a foreign trade so essential to your welfare as producers and sellers in the world's markets?

The Federal Reserve Act did not express the banking opinion of the country because the bankers as a body, and I use body in its widest significance, had no opinion to express. The most significant piece of financial legislation yet known to the country was passed by a Congress, many members of which openly stated that the bankers knew very little about banking and therefore, they, as members of Congress, were compelled to construct the banking bill. Much of this criticism was unjust, but it must be admitted that there was not a strong crystallized opinion of the banking world sufficient in power of logic and experience to compel the enactment into law of its best judgment and will. Even now a large amount of educational work is being carried on amongst bankers regarding the Reserve Act. This is not unique, nor unusual, but when the fundamental principles of banking which have been known to finance since banking first became an integral part of human activity must first be argued and amplified to prove their soundness to bankers, then it does seem that the time has arrived for serious introspection and reflection. Is the Reserve Act to you simply a compact schedule of check collecting methods

and exchange charges or does it embrace within itself powers so vast, potentialities so wonderful, that, properly directed, they are sufficient in dynamic force to change the entire course of history and economic development?

Are you deeply interested in the development of your own state, its population and increasing wealth. No state has done more in development or accomplished more in concrete results than North Dakota. Your per capita, individual and commercial wealth is now \$3,210, third amongst all the states, and yet what a large area still exists for further settlement and cultivation.

The uncontroverted fact still remains, as potent as ever, that labor is the basis of all wealth. Farm labor, judiciously directed, is a great, if not the greatest producer of wealth. Farm labor is human endeavor. Human beings are they who develop farms, and also cities, and the most feasible and rapid method of peopling a state is through immigration.

Has it occurred to you as bankers that immigration, the great science of inducing settlers to come to you and then properly assimilating them, is purely an economic problem and therefore one uniquely within your field of activity?

What waste occurs, what utter destruction of economic power by reason of the fact that the advantageous placing of settlers has not enlisted the best thought of bankers everywhere.

Each year, from the lands of the old world, there come to our shores thousands upon thousands of men, women and children seeking the boundless fields of America in order that upon quarter sections instead of single acres, they may continue, as they have done for generations, to wrest a living from the soil. These

people have toiled incessantly for years, generation after generation, to eke out an existence upon so small a unit as an acre of land and have accomplished their task successfully. They come to the main gateway of our nation and because of inadequate organization, never reach the sun bathed fertile lands of the west, which have been waiting for them through the centuries, but settle in large cities and become lost in the whirl of industrial activity. And thus good agriculturists, capable of developing fertile farms, and of creating large economic wealth, have become indifferent, and oftentimes inefficient, mechanics, or day laborers because of our indifference to the seriousness of the economic loss and social maladjustment entailed thereby.

Who has a deeper interest in creating wealth and prosperity, who than the banker is better fitted by training, environment, and influence exerted, to devise a system of immigration distribution which shall forever obviate the present enormous waste of potential wealth-creating power caused by a present inadequate and unscientific distribution of immigrant labor? And will there ever be a greater opportunity than upon the cessation of war, when the bereaved and stricken peasant of Europe will seek our shores seeking in this land of plenty and peace to give us the best he has in mental and physical exertion? The bankers of Wisconsin have already given this problem serious thought and the aid of the proper state officials has been enlisted in support of the movement.

The problem of immigration is directly related to rural credits. Much has been written and said regarding rural credits. It is now a pressing problem. Many theories have been advanced and argued. The suggestions have embraced the Federal government and the direct use of its funds as well as the states and the direct use of their funds.

In the largest number of instances in the developed communities the credit most needed by the farmer is personal credit and not land credit. The owner of a well cultivated, well equipped farm has little trouble in procuring credit at proper rates of interest. If rates paid are higher than the average for similar loans in urban communities the cause may be attributed to the farmer for it is he who defers payment of principal and interest after maturity, or demands loans for periods of time longer than ordinarily prevail in the extension of credit, and therefore compels the banker, in self-defense, to charge a higher rate of interest than would be done were methods ordinarily employed in similar transactions, used.

The great problem, it seems to me, concerns in largest degree the tenant, and young farmer, who, having saved money, desires to own and operate a farm. Their accumulated capital is used for a partial payment on the acquisition of virgin soil and the purchase of essential tools. Uncultivated or cut over lands obviously cannot be deemed the best security by a banker entrusted with the responsibility of safely investing funds on deposit with him, nor would it be prudent to invest funds secured by mortgages upon such lands in the amount which proper development would demand. His first duty is to those who carry balances with him and they, as of course, are those who have brought their farms to that state of cultivation which results in an ability to carry such balances. Co-operative credit societies in a new and developing section would not ordinarily be abundantly successful.

If the banker will not generally loan his funds upon partially developed lands for the reasons set forth, then, emphatically, governmental agencies should not for reasons of political expediency or in the exercise

of paternal powers utilize government funds acquired by taxation for such purposes.

There is then but one agency other than co-operative credit associations which can perform this much needed and highly essential function of granting long time credits, so necessary today, under terms which provide for small proportionate payments at regular intervals, extending over reasonably long periods of time, and reasonable would not exceed in length twenty years.

We believe in Wisconsin we have developed such an agency under proper safeguards and resting upon sound principles of banking and finance. There has been added to the banking statutes of the state a section providing for the establishment of "Land Mortgage Associations" having a capital of not less than \$10,000, distributed among not less than fifteen stockholders. The association is a bank in a true sense, the capital stock being impressed with a double liability. The association is entirely under the supervision of the Banking Department, being subjected to the same supervisory and regulatory statutes as other banks. The primary and only function of these land banks is to make loans upon agricultural lands, taking as security for such loans first mortgages upon the whole and undivided fee which shall not exceed in amount loaned sixty-five per cent in value of improved and forty per cent in value of unimproved land.

Each mortgage shall not exceed in amount fifteen per cent of the capital and surplus of the association, shall contain provisions for proper soil conservation, shall provide for annual or semi-annual reduction of the debt secured and shall contain provisions which shall insure that all money loaned for the erection of buildings shall be paid out only upon proper authorized construction certificates. The annual principal amortization of the loan shall equal at least one per cent of the original amount.

Appraisalment of land values is made by three distinct groups of persons in addition to the applicant for the loan. The form of mortgage and loan application is provided by the state.

The mortgages are placed with the State Treasurer who is compelled by law to hold them under the terms of a deed of trust. Against such mortgages bonds are issued in denominations of \$500 and \$100, each, bearing 5 per cent interest. The mortgages usually bear six to seven per cent, an amount not to exceed one per cent being allowed to the association as expense and commission. Bonds shall never be outstanding at any one time in excess of twenty times the amount of capital and surplus of the association. These bonds are made legal for trust fund investment by law.

From a personal experience in handling the bonds of these associations, two of which are now in operation, I can say that they are readily, almost eagerly, purchased by city investors. The rate of interest is fair, the security, experience thus far had would seem to indicate, is ample, the restrictions are carefully drawn, the State Banking Department supervises the associations and the state has evidenced its confidence in the bonds by making them legal for trust funds.

Does it not seem that in this principle and system there rests a sound nucleus of further agricultural credit development. It is not a governmental agency, only as all banks are such, and yet some of its functions are performed by state officials, it is owned, operated and controlled by bankers as are all our banks, and with great success. It permits of the exercise of sound judgment by men trained in banking and in the valuation of land, and who are residents of the community in which the loan is made. It operates entirely

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within the confines of a single state where conditions of agricultural activity are reasonably uniform and capable of being so considered as to insure the reaching of conclusions which are at once satisfactory and sound. While not in any way competing with existing commercial banks, it takes care of a class of loans which can in no other way be adequately handled, and utilizes the funds of investors in large cities for agricultural development in a manner which such investor deems sound and safe.

Is it not an efficient complementary agency in greater agricultural development and the placing with wisdom and in accordance with sound economic principles upon the fertile land of our states of the great number of immigrants accustomed to systems of rural credit in the old world?

No state owes more to its railroads than does North Dakota. Its prosperity and wonderful development are due in large measure to the aggressive action of its railroads in the formative period of the state. The shining rails of steel, the great locomotives, the cars built to carry every class of traffic have not sprung up, but have been planned and constructed through foresight, by imagination, by keen management, by the enormous expenditure of money. Credit has truly been the life blood of railroad development and the railroads are the most striking example of the value of the use of credit. This credit structure has been evidenced by securities of many kinds and classes. When I cite railroads as an example of the deductions I would make, I do so because they are most typical and most important of all the great public service corporations upon which rest so much of our commercial and industrial activity.

The credit interests which represent the vast sums of money placed in public service enterprises in this, and other states, are largely in the hands of people who oftentimes have never seen you or the state you have developed. And yet they have had sufficient faith in the enterprises and the fairness of the people which such enterprises serve, to entrust all to those whom they have never seen. Without these people and their faith, what would the state of North Dakota be today? Can you compute the value that has accrued to your farms by reason of the existence of railroads alone?

There is at the present time a rapidly developing tendency on the part of many bankers, particularly in agricultural communities, to refrain from placing any funds in public service securities. The result is an ever increasing margin between the financial needs of such enterprises and the funds supplied. This leads to but two inevitable conclusions—curtailment of devel-

opment or governmental control. Both conclusions present vast, almost overwhelming, problems and results.

There has unquestionably been an abuse in the issuance of securities by public service corporations. They have in many instances, been issued upon unsound principles of finance.

But the bankers have permitted this to continue many years unchecked. If the same strong representations had been used to make the issuance of public service securities safe as have been used to make farm mortgages the desirable investment they have become, how different today would be the history of American finance. Can it be estimated how great has been the loss to the citizens of our country not alone in money, but in the retarded development and intensification of all forms of industry, by reason of this indifferent attitude of bankers to public service corporation finance?

The great development imperatively necessary today cannot be successfully carried on unless a proper proportion of the accumulated wealth entrusted to your care is judiciously invested in properly issued securities. The wealth of Europe which has flowed to our country in such copious and steady streams will soon be used for the rehabilitation of war smitten countries. The investing public cannot alone take care of the capital demands of development.

The bankers of the nation must continue in the future as in the past to purchase the securities issued for essential development purposes. But that conditions existing in the past may never again occur it would be not only the part of wisdom, but also of disinterested and lofty public service to compel the remoulding of the financial policies of corporate enterprise. The hand that controls the reservoirs of the nation's wealth is most potent in reforming existing policies when once it stays the continuation of things as they are and demands a reform in accordance with sound and safe principles.

So also with governmental finance. The time is most opportune for a decided reformation in the issuance of governmental obligations of all kinds. Such securities as are most generously being issued for every conceivable purpose. The improvement has oftentimes been replaced many times before the securities originally issued to provide funds therefor have been cancelled. The power to tax is the power to destroy. A governmental security of any kind is, with but few exceptions, a prior lien on all property of citizens. The waste of governmental funds employed in public enterprise is not only an economic loss, but an additional

and prolonged tax upon all its citizens. The imperative need at present not only in towns, cities and counties, but in the Federal government as well, is the adoption of a sound financial policy and a cessation of the deliberate waste of funds whose source is the taxing power.

Every banker has some interest, official or otherwise, in each political subdivision existent in his state. What a change would be wrought if each banker in North Dakota resolved to place the political subdivision in which he is most interested upon a sound financial basis. Could any service be of more importance, or of more practical benefit to those whom you daily come in contact with?

The bankers of America are face to face today with the greatest opportunity for service which has ever been given to them. The old order in Europe changes, and with it also changes the world-wide economic system which has been created during the past century.

Alone amongst the nations of the world, America stands today with its vast limits of territory undisturbed, and largely unpeopled, with resources abundantly capable of supplying the means of livelihood for centuries to come to the many millions who shall yet call this Republic "home."

From the lessons of the war now engrossing the powers of Europe, has grown a new and better conception of what our country must be. We realize adequately, at last, that the quest of the ages for territory and wealth, and freedom of expansion is still as impelling in mankind as when first apparent in the centuries of long ago, near the dawn of recorded history.

We desire that our nation shall be strong and prosperous. We insist that its voice shall be heard with respect wherever men and labor create. We ask for no privileges save those which are ours because of national existence; we can expect none save as they accrue from such efficiency and ingenuity as surpasses that of other men.

All the blood of the world has fused here, all the centuries have contributed to American life. We have a form of government which promotes and fosters the free expression of genius. Wherever liberty had reigned, there also have been known first the great discoveries which have aided mankind on its upward way. From this land there has come the telephone, the telegraph, the electric light, and the cotton gin. In business activity it was the invention of Goodyear, an American, which made the rubber industry of today, and here were created those wonderful complex organizations of industrial activity which have contributed so much to economic progress and stability. Shall there also be created here a system of banking which shall change the course of world finance and economics?

As it thrills the true soldier when he stands face to face with the enemy in the trench, how much more should it thrill the bankers of America to contemplate the field of peaceful development and constructive opportunity which lies before them.

A nation is its citizens. It can only be what they are. We have discussed today problems of concern in our internal development. They are pressing problems and need a right solution. They are vital, for a nation must be sound within, if it is to be powerful without. Their right solution will mean such advancement as we have not before known or has not before been known to civilized mankind.

These problems are all peculiarly within the sphere of banking. You meet them day by day in the ordinary course of your activity. They affect each in-

dividual with whom you come in contact. They are yours to solve and the nation is waiting for you to do it.

It can only be done as you give to these problems your best thought and apply to them all the accumulated knowledge of banking and finance. That knowledge has come to you in many ways, through practical experience, through colleges, through the American Institute of Banking. However it has come, your fellow citizens ask only that it be sufficient and comprehensive enough to result in a right and permanent solution of that which they seek to have solved. They demand that much of you, they will never again be content with less.

We need daring and courage in banking. We need bankers who shall conceive and bring to completion great plans for the advancement of America. We must assume larger burdens in world finance. Wherever our citizens can honorably labor with profit, there banking facilities must be provided. Against the time when our land shall be more thickly populated and the necessities of life shall not so easily be acquired as now, there must be provided a never ending line of merchant steamers reaching to all markets of the world and carrying our surplus of goods to be exchanged for others more needed.

There has recently closed in the City of Washington one of the most significant conferences ever held. Its purpose was to unite in closer relationship all the nations which comprise the Americas. The members of that conference were not diplomats and lawyers, but bankers and men of business. The discussions related to banking, policies of government finance, the development of adequate transportation facilities between the countries participating, and to the best methods for financing public service enterprises in those countries. After years of political activity and negotiation, at a time when treaties and recognized principles of international comity exert less influence in the affairs of nations than ever before, it has at last been realized in this country, as everywhere else, that the surest way of cementing nations in enduring bonds of amicable relationship is through financial ties and by means of economic penetration.

The time has come when once again the banker is to influence the political as well as financial development of the nation. The opportunity has been given, it is greater than any which has before been known. It can be grasped and used for the accomplishment of lofty purposes only as each member of the banking profession assumes his full share of responsibility.

Effective achievement can only result from harmonious and concerted action. There is no difference in function between the leader in finance of the great city and the banker in the country town. Each applies the same common principles to daily tasks, the knowledge necessary for each is the same.

We know not what course the political development of the future may take. We only know that world affairs have changed and that we shall be more engrossed in the future with international problems than we have in the past. We shall have to deal with the victor of Europe whoever it may be. We shall be compelled to contest for the freedom of the sea. We can only preserve the Monroe doctrine as we bind the republics of Central and South America to us by unseverable financial and economic ties.

The course of the American banker is clearly defined. It lies in a thorough mastery of the principles of banking, in a devoted service to the economic development and welfare of our people, in the construction of a system of finance, so delicately adjusted, so perfect in its every detail, that when those entrusted with the administration of government call into being

A Service based on the facilities and experience gained during half a century is extended to Banks and Bankers by the First National Bank of Chicago. Correspondence is invited by this old, strong and conservative bank.

a policy for the advancement of America the response from every city and rural town shall be instantaneous, and so effective as to insure its successful consummation.

Will you do your share in this great work?

The President: "Next on the program is an address by Mr. Edwin Bird Wilson, Manager Advertising Department of the Bankers Trust Co., New York."

SOME OF THE BROADER PHASES OF BANK AND TRUST COMPANY ADVERTISING

(By E. B. Wilson.)

"When I received Mr. Macfadden's cordial invitation to address the bankers of North Dakota, I felt no hesitancy in accepting it. Of course I knew of the suspicion in which Wall Street men are held by a part at least of the citizens of the Great West, but I thought of a story I had heard and took courage. Doubtless you have heard the story. It seems that a lone clergyman was hitting the trail—not the 'saw dust trail', but a regular trail somewhere in North Dakota. Mounted on a pony and proceeding with no company but his lofty thoughts, he was suddenly confronted by a highwayman, who ordered him to hold up his hands and demanded his money or his life. The clergyman promptly threw up his hands, but protested: 'My dear sir, you have made a great mistake; I am a poor man, a clergyman.' Resting his gun for a moment, the highwayman said: 'What church?' 'Episcopal,' said the clergyman. 'Shake hands,' said the highwayman, 'that's the church I belong to.' So I reflected that we are all members of the same fraternity, and whether from Wall Street or



MR. EDWIN BIRD WILSON

North Dakota, we are brother bankers. I therefore feel very much at home today in Bismarck.

"Before considering some of the broader phases of bank and trust company advertising, let me warn you

that 'I am no orator, as Ellsworth is, but * * * * * a plain blunt man,' and what I have to say will be unadorned by either wit or eloquence, a plain statement of principles which I firmly believe in, and which I have gleaned from personal experience and study of financial advertising during the past twelve years.

"It is only fair to the company with which I have the honor to be connected, to say that it is in no way responsible for my statements; I am speaking for myself personally, and not in any official or representative sense whatsoever.

"Will you pardon me if I first indulge in a few generalizations? They form the backgrounds for the thoughts I have in mind and wish to present on the chosen subject. As it is my desire to point out to you some of the broader phases of financial advertising it seems necessary to refer to outstanding general tendencies in the nation and between nations in order to make myself clear.

"Out of the darkness of the great war come gleams of hope that seem to portend a brighter day for all the world. Out of the terrible suffering which half the world is enduring, and the other half witnessing, has come the conviction that humanity is bigger than nationality; that the common rights and interests of mankind transcend even the interests of nations; that the disregard of these common human interests by any nation leads to direful results, which eventually plague that nation as well as others.

"In these days of rapid communication, when all nations are close neighbors by grace of the 'wireless,' when America instantly feels the pulse beats of other continents, and Europe hears the quick breathing of America, no nation can live unto itself alone.

"Every nation will have to shape its future conduct in the light of world interests, as well as its own interests.

"Co-operation, not conflict, must prevail, otherwise the whole world will sink into a barbarism infinitely worse and more chaotic than that from which it has progressed by slow and painful stages through the centuries.

"America, above all nations, must and does feel this responsibility. The nation has opened its mind to the truth that America must play a larger and yet larger part in the world's affairs of both thought and action, and that her interests are inseparably bound up with the world's interests, the interests of humanity.

"And America is opening her mind to the complementary truth that there are really no classes *within* the nation, if by classes we mean naturally conflicting divisions of our population. Americans of all vocations, and of whatever antecedents, are at last beginning to realize that their interests are common and not antagonistic. At last, thank God, the man who tried to array class against class, and mass against mass in this country, is not popular. He who can bring together the apparently contending elements of our social, political and economic life is the man of the hour.

"Bankers, if they would be in harmony with the best thought of the present day, with the thought which makes for solidarity within the nation and between nations, must necessarily consider their duty toward the community, the country and the world, while considering their own business interests.

"I do not hesitate to say that it is a *duty* of banks of the better sort to apprise the public of their facilities and usefulness.

"There is the obvious reason of self-interest which impels the banker to advertise, the laudable desire to expand his business, to grow in public confidence, to

increase his profits and dividends by increasing the volume of his business.

"But I contend that there is an underlying obligation, not yet fully realized by the bankers of this country to make known to the masses the objects and accomplishments of banking institutions, the economic purposes which they serve. It is incumbent upon bankers to inform and educate the people as to how they can promote the business of the community, the state, the nation, and the world, by contributing to the working capital through their deposits in the banks. It is the duty of bankers, and particularly of trust company bankers, to point out to the people the dangers of individual trusteeship, and the advantages offered by the incorporated trustee. It is the duty of bankers to protect the public by publicity of the right sort, against the insidious appeals of unscrupulous promoters of brass-edged securities; to try to divert into legitimate channels of trade the hundreds of millions of dollars which annually go into the treasure chests of the pirates of finance, who prey on widows and orphans, and sometimes on those who ought to know better than be caught by offers of 70 per cent dividends. Bankers owe it to their towns and cities, owe it to the legitimate business of this country, owe it to the commerce of the world, to encourage the people to invest their money in legitimate enterprises, and to keep it away from the fraudulent schemer. Bankers owe it to themselves, as well as to the business world, to encourage a wider exercise of thrift on the part of Americans, than they have been accustomed to in the past. It is hardly necessary to remark that thrift has not been, in this generation at least, a striking characteristic of the American people.

"The first broad principle therefore, which I here commend for your consideration is this: That there is a duty laid upon bankers as custodians of the people's wealth, to inform and educate the people as to the value of banking institutions.

"Out of the general idea of co-operation and mutual interests which are, as has been pointed out, now so pronounced among the thoughtful people of the world, comes another broad principle of bank and trust company advertising. I refer to the desirability of community or group advertising.

"Consider for a moment: What is a bank? What is a trust company? What has one good bank to offer that another good bank cannot offer? What services can one good trust company render that differ greatly from the services of another good trust company?

"Assuming that all the banks and trust companies in the community are sound, conservative and efficient, are not their functions largely common? Are not their services similar? Are not their interests mutual? Assuming also the truth of the first broad principle mentioned, that it is the duty of banks and trust companies to make known their usefulness, it then follows that concerted publicity action by banking institutions is desirable.

"I hold with many thoughtful bankers and bank advertising men, who have the strong conviction that the best advertising of banks and trust companies has not yet been done, that the separate competitive efforts at advertising by banks and trust companies is superficial and not fundamental. Many of us believe that what is needed in bank and trust company advertising, more than anything else, is co-operation by suitable groups of banking institutions in a campaign of publicity, designed thoroughly to inform all classes and conditions of people of the usefulness of banking institutions, and of the duty which the people owe to the business world, of bringing their sur-



Attractive Signs

mean more to a bank than they do to any other business on account of the prominent position a bank occupies.

The kind made by this company add distinction to a bank's place of business because they are rich and dignified and convey the impression of stability. In our

Chipped Gold Plate Glass Signs

the lettering is cut into the rear surface of heavy plate glass and then inlaid with gold. These signs do not tarnish or fade, require no attention to keep bright and attractive and are practically indestructible.

Send for catalogue, photos of various styles of signs and testimonials from banks in all sections of the country.

Rawson & Evans Co.

700 Washington Blvd. CHICAGO

plus moneys into the storehouse of capital for the common good.

"Various plans have been suggested for bringing this about, and discussions have been held in the councils of banking associations, both state and national. Some of the plans are entirely impracticable, but they all have the laudable intention of getting the bankers together to do something for the common good, as well as for their individual interests. One of the plans which seemed to me quite impracticable was for the trust companies of the country to appropriate a large amount of money for carrying on a campaign of information through the general magazines of national circulation. As there are only about 1200 towns and cities in the United States where trust companies are situated, while the national magazines are distributed quite evenly throughout all the cities, towns and hamlets of the country, the enormous waste of such a plan is apparent.

"It seems to me that anyone who will thoughtfully and carefully consider the subject of group advertising for banking institutions, must inevitably arrive at the conclusion that the proper way to carry on such a campaign is for the bankers of any given community to combine and use local advertising mediums. The ties that bind banks of any particular town or city ought to be stronger than the ties between the banks of distant towns and cities or of distant states. If the banks of any community are not carrying on their business in a spirit of helpful co-operation there is something radically wrong, something which needs to be righted. If the bankers cannot get together on a common basis with the common good as the object, how can they expect the full and complete confidence and co-operation of the community at large?

"It seems very unfortunate that the fear of some bankers that 'the other banker' might gain some slight advantage, has prevented concerted publicity action in some communities where efforts have been made to bring about such action. Contrast this attitude on the part of some bankers in certain communities with the attitude of business men in almost any other line, and you will wonder how it can be. Take a lesson from the manufacturers: How quickly they will rally around the standard of their common interests, either for defense or offense. Look at the real estate men of the average community,—how they stand together to maintain and boost the price of real estate! Then look back at the absurd situation of bankers declining to subscribe to a well-ordered and intelligent plan for boosting their common interest, because some brother banker might obtain a few thousand dollars more than his due proportion of the increase in deposits!

"Permit me to register my firm conviction that a thorough, intelligent, and prolonged campaign of publicity in almost any community, carried on by the banks acting jointly, would result in increased business for all the banks, the greater proportionate share of such increase going to the banks which did the most intelligent work for new business during the period of such advertising. I cannot agree with those who contend that in such a campaign the advantage would be with the biggest and strongest institutions; on the contrary, I believe that the advantage would be, and justly so, with those institutions deserving of confidence which did the fairest and most intelligent hustling for new business. Moreover, a campaign of community advertising ought not to be substituted for the individual advertising of the banking insti-

tutions of the community, but should be considered as the foundation for individual advertising and other business-getting efforts, the background which would make individual advertising all the more effective.

"Let the banks of any given community subscribe to a common advertising appropriation of proper size; have strong, appealing copy written in plain understandable language, and publish it regularly as obvious advertisements (not 'reading matter') over a long period, in the local newspapers; let them substitute this newspaper advertising with pamphlets, carefully prepared, which will explain in simplest language the purposes, practices, and services of banking institutions, the same pamphlets being distributed by all of the banks to their customers and prospective customers. Let them use, if local conditions seem to warrant it, advertising space in the local street cars and on the screens of the motion picture theatres. Such a campaign would arouse an interest in the banking institutions of any community that would be of lasting benefit, not only to these institutions but to the community at large.

"Our second broad principle of bank advertising is, therefore, that the similarity of services and mutuality of interests of banking institutions indicate that they could with advantage, unite by communities to advertise their common functions. The efficient carrying out of a well-ordered plan of community advertising by the banking institutions of any town or city should accomplish the following results:

"*First:* Create a greater respect for, and confidence in banking institutions on the part of the general public. For example, I do not believe that such senseless runs as we have witnessed in New York City on mutual savings banks could have happened if the people had understood how thoroughly safe and sound such institutions are under the laws of New York State.

"*Second:* Educate the public to the economic usefulness of banking institutions. Too many people look upon a bank as merely 'a place to put your money,' losing sight entirely of the important part which the bank plays in maintaining the prosperity of the business community.

"*Third:* Increase the stream of small contributions of capital into channels of legitimate business, and diminish the stream which flows into the illegitimate channels where the money is finally lost in the 'slough of despond.' The people ought to be taught that banks of deposit are like reservoirs which collect capital from many small sources for use when and where most needed for carrying on the business life of the community.

"*Fourth:* Educate the people to a higher standard of thrift, and thus actually increase the working capital of the community. America has a long way to go before it can approach the record of France for widespread thrift, and consequent widespread ability to invest in high-class securities.

"*Fifth:* Stabilize the finances of any given community, and, if carried on by many towns and cities throughout the country, exercise a stabilizing influence on the finances of the nation and in turn the finances of the world.

"*Sixth:* Increase the effectiveness of the individual advertising and other new business efforts of all the participating banks. It is a well recognized law of advertising that the more business created for one advertiser the more there will be for all advertisers in the same line. We have it on good authority that the first year's advertising of American Bankers Association Travelers' Cheques resulted in a large increase of sales of other kinds of travelers' cheques, as well as in large sales of 'A. B. A.' Cheques.

"Parenthetically, I wish to emphasize what has been pointed out by some authorities on banking,—for example, by Mr. Elmer H. Youngman in the Bankers Magazine,—that the *present time* is particularly propitious for undertaking a plan of community advertising which will educate the public to greater thrift and lead them to invest in good securities, because the enormous losses of the world due to the great war must be met, and this country must face the problem of recouping its share of those losses.

"A third broad principle to be observed in bank and trust company advertising is, that what and how a bank speaks through an advertisement is fully as important as that the bank should advertise at all. If you have a message and will speak it clearly and attractively the public will read it; if you do not have a message, you had better not advertise.

"In New York there is a grand old clergyman known as the 'Bishop of Wall Street.' Everybody in the neighborhood knows him by sight at least. He will step into the middle of the street, mount a little platform which he carries about with him, close his eyes reverently for a moment and then begin to speak. In a very few moments there will be a crowd of attentive listeners around him. Why do they listen? Because the 'Bishop' has a *message* to deliver, a message he believes in; he is in earnest about it and the people believe in him.

"You would not think well of a banker who tried to sell securities to his customers which he did not believe in. You would think less well of a banker who received deposits when he knew his bank to be insolvent. But on the other hand, what would you think of a banker who, although knowing his bank to be sound, progressive, and capable of rendering splendid service to the community, yet feared or neglected to tell the public about it? Or who spoke in uncertain tones, or in a language which could not be understood? Too many bankers are doing that very thing. They are willing to buy space in the newspapers and other publications, yet they seem unwilling to say anything worth reading in that space. Either they have no message to deliver, or are afraid to deliver it, or do not know how to deliver it. Let us use a homely illustration to see what this attitude really amounts to.

"What would you think of a banker who, having completed a beautiful banking house, furnished it with old furniture bought at a junk shop? You would question his judgment, if not his sanity; you would advise him to buy furniture in keeping with the beauty of the edifice which was constructed with such great care on the part of architect and builder. Yet are we not accustomed to seeing bankers buy beautiful white space in well-printed newspapers, and furnish that space with phrases meaningless to laymen, displayed in type culled from a junk shop printery?

"The furnishing of advertising space with worthy language and illustrations is an art, and requires careful study, as do any of the other applied arts. A good advertisement does not simply happen: it is designed and built. First, you must have your message, clear to yourself and believed by yourself; then you must study how to make that message clear to others and attractive graphically, so attractive that it will have a chance on the page with other strong announcements and messages. If I were asked to diagnose the trouble with bank and trust company advertising today, I should say that bankers are more willing to pay for advertising space than for proper copy to go in the space. They seem still to believe in that old advertising heresy that the principal thing is to keep your name before the public. Some people

Bank Burglary Insurance

BURGLARY INSURANCE IN

The North Dakota Bankers Mutual Casualty Co.

is being written for members of the Association with only a trifling addition to the expense of maintaining the Association office. Insurance companies generally figure that 50% of the premiums collected are used in the expense of maintaining offices, paying commissions necessary to get the business, etc. We can save you practically all of this 50%—and a lot more—if the losses are no heavier than they have averaged for the past ten years.

Write the Secretary's Office at Fargo for further information

CASH ASSETS, \$18,000.00

have been doing that so persistently that their name is no longer popular.

"Be not deceived, there is much more in advertising than merely keeping your name before the public. You must have a message, and you must make that message clear and appealing.

"Another broad principle, our fourth, is that bank and trust company advertising to be efficient must be continuous.

"Don't begin to advertise unless you intend to keep it up; advertising does not like 'a quitter.' That is a good motto of a big eastern advertising agency which reads, 'Keeping everlastingly at it brings success.' Unlike many mottoes, this one tells the truth.

"Make up your mind to *invest* (please notice, Mr. Chairman, I said *invest* not *spend*), make up your mind to invest a reasonable sum in advertising each year, and invest that appropriation this year and next year, and the next, without regard to the returns obtained last year, and the year previous and the year before that. It is consistent, persistent, intelligent, year-after-year and week-after-week-during-the-year advertising that permanently counts; that builds a safe and sure foundation in public confidence.

"Herein does bank and trust company advertising differ from some of the ordinary or garden varieties, that returns are usually slow in developing. If any self-styled advertising expert tells you he can take \$5,000 of your good money and so invest it in advertising as to produce quickly a twenty-fold or an hundred-fold harvest, he is a liar and the truth is not in him, (I have good authority for that use for the short and ugly term.) A department store can obtain quick results from advertising, but a bank cannot. A bank has no bargain days, no lines of 'specials'

to attract purchasers, no alluring cuts in prices of more alluring lingerie fresh from Paris. A bank's line of goods is about the same all the year and from year to year. A bank cannot expend \$5,000 in newspaper advertising and expect to make thereby \$50,000 immediately. Sometimes such things do happen but they do not belong to the realm of reasonable expectancy. Once in a while a man does pin a \$500,000 check to a bank advertisement and send it in with the casual remark, 'please deposit to my credit in a checking account.' But don't expect that to happen very often! Expect rather to see a gradual building up of your business, a gradual strengthening of confidence, a growing friendship through knowledge on the part of the public for your institution.

"A bank that advertises intelligently and continuously is bound to win in the long race, but my advice is, do not go into the one-hundred-yard dash; enter the marathon.

"Our fifth and final broad principle is that bank advertisements should be prepared by somebody who knows how. This self-evident truth is frequently ignored. Everybody seems to think he knows how to write 'an ad'—and a good one, too—that is, until he has tried it. I do not recall having met anyone who was not at least willing to try; certainly there are no exceptions among bankers.

"Why it is easy to write a 'bank ad!' The recipe is so simple.: 'Take white space in a local paper about the size of a slice of bread (this measure corresponding to the rising or falling cost of living will automatically regulate the advertising expenditure); select a few trite sayings about thrift from 'Poor Richard's Almanac;' set in American foundry, old style bold, (or is it bold style old?); liberally sprinkle with

variegated italics gathered from the last mess of the printer's devil's pi; put in capital, surplus, profits, deposits and resources, stuff with the whole Board of Directors, insert the officers, garnish with an unreadable trade-mark and surround the whole with an ancient brass rule, the heavier the better. Above all, be careful to put as much material into the open space as it will hold without bulging. Don't bulge, it is unfair to the bank in the next column. The advertisement is now ready—all but the roasting—but the public and your brother bankers will attend to that.

"Seriously, is not that a fair description of many bank announcements appearing in the newspapers? And why this condition? Because bankers are ignoring the self-evident fact that their advertisements should be prepared by somebody who knows how, who has studied to some extent, at least, the art of advertising.

"What would you think of a banker who would rely upon his own knowledge of the law in an important legal case involving the interests of his bank? What would you think of a banker, or any other business man who would rely on patent medicines and household remedies when his wife and children were critically ill? What would you think of a banker who would personally do the only auditing of his bank that was done?

"In all of these cases you would question his judgment, if not his sanity. You would advise him to retain a good lawyer, to send for the best physician available, to call in an expert accountant. And yet are you in the habit of questioning the good judgment of the banker, who,—without any knowledge of the art of advertising,—attempts to plan and write his bank's publicity?

"Now advertising men are made out of various kinds of material, most often, probably, out of newspaper men. Some people go so far as to say that good advertising men are born not made. There are of course exceptions. Here and there throughout the country is a banker who is his own advertising writer and a good one. He has the right qualifications: imagination, ability to know his message and state it clearly, and above all the ability to get the outside point of view; but he is a rare specimen and when found should be given a special pedestal in the Bankers' Hall of Fame.

"In general, the business of banking, long pursued, tends to kill those qualities which are essential to success in the advertising profession. The figuring of interest on money is not good preparation for figuring to interest the public. Imagination in a banker is not a necessary quality in fact, it may be considered a dangerous one; but imagination in the advertising man is not only highly desirable but necessary.

"If a banker must, by reason of the limitations of his organization, write his own advertisements, let him approach the subject in the attitude of a student who has much to learn on a subject which is quite different from banking and requires special training to accomplish worthy results.

"Will you be patient a moment longer, while I recapitulate:

"*First:* In view of present general conditions it is a duty of banks and trust companies to advertise their services.

"*Second:* In view of the similarity of services and common interests of banking institutions, the banks would do well to unite by communities for advertising.

"*Third:* How and what a bank speaks in its advertisements is just as important as that it should advertise.

"*Fourth:* Bank and trust company advertising to be efficient must be continuous.

"*Fifth:* Bank advertisements should be prepared by somebody who understands the art of advertising.

(Here followed an informal illustrated talk on concrete examples of good and bad advertisements.)

The President: "I have been requested to announce that when we have adjourned a photographer would like to get a group picture just outside of the opera house. We will adjourn until three o'clock, at which time the business of the Convention will be completed on board the boat 'Scarab.'"

THURSDAY, JUNE 17—P. M.

(On board the Scarab.)

The President: "Here is the report of the special committee of thirteen on the Governor's address:

To the North Dakota Bankers Association

We, your committee appointed for the purpose of offering a resolution pertaining to that part of Governor Hanna's address of welcome which refers to the granting charters to new banks, and to that part of President Nierling's address referring to the same subject, beg leave to offer the following resolution:

Be It Resolved by the North Dakota Bankers Association that we heartily endorse any action taken by the Banking Board of our State tending to limit the number of charters issued for any one city or town when in their judgment the refusal of applications for charters is to the best interest of the community in question and the banking business of the state in general.

Dated at Bismarck, North Dakota, this 17th day of June, 1915.

KARL J. FARUP, Park River,
Chairman.

M. F. MURPHY, Grand Forks.

E. J. WEISER, Fargo.

WILLIS ADAMS, Lisbon.

T. L. BEISEKER, Fessenden.

T. J. DOUGHERTY, Starkweather.

I. P. BAKER, Bismarck.

J. S. FLATLAND, Minot.

F. A. RINKEL, Antler.

J. H. WISHEK, Ashley.

CHAS. F. PETERSON, New Salem.

W. C. CALDWELL, Monango.

PAUL M. BROWN, Hettinger.

Mr. Farup: "I move that the report of the committee be adopted."

Motion carried.

The President: "We will now listen to the report of the Committee on Resolutions by Mr. Phelan, Chairman of that Committee."

Mr. Phelan:

Gentlemen:

The Committee on Resolutions report that we have much to be thankful for in the liberal rains that have come to our State in the past few weeks, giving prospects of abundant crops and resulting in the increased debt paying power and other favorable resources for the future prosperity of the country.

We wish to return thanks and appreciation to our officers in their untiring efforts for the good of the organization and also to the able speakers who have favored us with their wisdom and eloquence. These speakers include, Hon. John M. Rieh, Reserve Agent of the Ninth District Federal Reserve Bank of Minneapolis; the eloquent John J. Arnold of the First National Bank of Chicago; William J. Burns, the famous detective; we wish to further endorse the efficient work done by the Wm. J. Burns International Detective Agency, Inc., as detective agents of the North Dakota Bankers Association; also for the efficient work done for the Protective Department of the American Bankers Association, whose detective agents they also are; H. A. Dreher, of Milwaukee; B. A. Ruffin, of Richmond, Virginia; W. W. Burr, of the U. S. Department of Agriculture; Prof. H. R. Smith, of the First National

Bank of St. Paul; C. E. Batcheller, of Finley, North Dakota, and E. B. Wilson, of the Bankers Trust Company of New York.

We also wish to thank the members individually and collectively for the general attendance and interest in the proceedings.

We wish to thank the local bankers and people of Bismarck for their kind attention and liberal entertainment; also the visiting bankers of the Twin Cities and other cities who ornament and encourage the meetings by their presence.

J. E. PHELAN,
M. R. PORTER,
SAMUEL TORGERSON,

President Nierling appointed the following standing committees for the ensuing year:

Membership: P. W. Clemens, Fargo; W. C. Batcheller, Grand Forks; B. V. Moore, Fargo; T. M. Lee, Valley City.

Burglary Insurance: H. P. Beckwith, Fargo; J. J. Earley, Valley City; E. G. Quamme, Finley.

Legislative Committee: J. L. Cashel, Grafton; C. R. Green, Cavalier; V. E. Beemis, Inkster.

Taxation: C. B. Little, Bismarck; A. H. Peterson, Mandan; Wilson Eyer, Dickinson.

Immigration: E. Y. Sarles, Hillsboro; A. I. Hunter, Grand Forks; R. E. Barron, Minot.

Agricultural Education and Development: W. C. McDowell, Marion; G. S. Newberry, Carrington; C. B. McMillan, Hannah.

Thrift: W. E. Fuller, Grand Forks; N. C. Olson, Hoople; M. B. Cassel, Hope.

The President: "The Committee on Nominations will now report."

Report of Nominating Committee.

"We, the members of the Nominating Committee, beg to report the following for your officers for the year 1915-16, subject to the confirmation of this body:

For President—W. D. McClintock, President of the Merchants Bank of Rugby.

For Vice President—J. E. Phelan, President of the First National Bank of Bowman.

Respectfully submitted,

Lewis F. Crawford, Chm.

Fred A. Irish.

F. W. Cathro.

Nominating Committee.

Mr. McClintock was escorted to the chair and in an appropriate address accepted the office of President.

Mr. Phelan was escorted to the Vice President's chair and in his usual graceful and forceful manner accepted the office. It was unfortunate that owing to the noise of the boat neither the address of Mr. McClintock nor Mr. Phelan could be taken down by the stenographer.

Nominations for members of the Executive Council were reported as follows, and on motion of Mr. Earley were unanimously elected:

Third District—H. P. Beckwith, Vice President Northern Savings Bank, Fargo.

Fourth District—H. A. Merrifield, Cashier of the First National Bank, Hankinson.

Fifth District—Louis Malm, Cashier First National Bank, Sanborn.

Missouri Slope District—Thomas E. Hayward, Auditor First National Bank, Mandan.

Northeastern District—C. F. McKean, Cashier Pisek State Bank.

Northwestern District—Oscar Wilson, Cashier Bank of Donnybrook, Doonybrook.

R. E. Barron: "Minot invites you to have the Convention next year at Minot. Since the Convention



"ALL ABOARD!"

met at Minot we have secured a great deal better hotel service than before, and we will have more additions to the hotels next year and will promise you the very best hotel service. We will appreciate it to have the Convention there next year."

Mr. Bell: "Second the motion."

Mr. W. F. Hanks: "Second the motion on behalf of the Northwestern Bankers Association."

Carried.

Senator McDowell was called for and made a rousing talk on the work of the Association, and was followed by Mr. Karl J. Farup of Park River.

The President: "The hospitality of Bismarck has interrupted our program. There are a number of important addresses still on the program, but on account of the confusion it will be impossible to give them here. They will appear in the transcript of the proceedings and in the press. A meeting of the Executive Council will be called. This concludes the other proceedings except such meeting."

List of Members and Visitors Registered.

MEMBERS.

Anderson, A. H.—Security State Bank, Noonan.

Attletweed, O. C.—First National Bank, Beach.

Anderson, J. C.—McLean County State Bank, Wilton.

Arduser, C. A.—First State Bank, Adrian.

Arneson, O. G.—First State Bank, Binford.

Anderson, C. H.—Farmers State Bank, Almont.

Allen, H. W.—Emmons County State Bank, Braddock.

Allensworth, J. A.—Emmons County State Bank, Braddock.

Atkinson, C. S.—Sykeston State Bank, Sykeston.

Ahern, Thos. J.—Farmers Bank of Dunn County, Dunn Center.

Adams, W. S.—First National Bank, Lisbon.

Beiseker, T. L.—Wells County State Bank, Fessenden.

Batcheller, M. C.—Northwestern Trust Company, Grand Forks.

Beckwith, H. P.—Northern Savings Bank, Fargo.

Bunday, J. E.—First National Bank, Oakes.

Batcheller, Mrs. L. A.—First National Bank, Fingal.

Batcheller, C. E.—First National Bank, Hettinger.

Behles, J. J.—Farmers Bank, Garrison.

Bell, J. L.—First National Bank, Bismarck.

Baker, I. P.—Bismarck Bank, Bismarck.

Baxter, Wm.—Emmons County State Bank, Braddock.

Bue, Sigurd—Citizens National Bank, Crosby.

Burges, C. W.—First State Bank, Jud.

Bullock, F. G.—Denbigh State Bank, Denbigh.
 Brown, Chas. S.—Oakes National Bank, Oakes.
 Bishop, E. L.—Hurdsville State Bank, Hurdsville.
 Bell, O. W.—First National Bank, Williston.
 Baumgartner, John J.—Security State Bank, Strasburg.
 Barron, R. E.—Second National Bank, Minot.
 Bernard, H.—Pettibone State Bank, Pettibone.
 Bollum, A. W.—First State Bank, Rhame.
 Brown, Paul M.—Hettinger State Bank, Hettinger.
 Braddock, S. V.—German American State Bank, Linton.
 Barringer, W. E.—First National Bank, Streeter.
 Braddock, Edward—German American State Bank, Linton.
 Bond, W. R.—First State Bank, Surrey.
 Burns, Wm. J.—W. J. Burns International Detective Agency, New York City.
 Burmester, E. R.—Merchants State Bank, Glen Ullin.
 Burmester, Mrs. E. A.—Merchants State Bank, Glen Ullin.
 Burmester, Henry Carl—Merchants State Bank, Glen Ullin.

Cathro, F. W.—First National Bank, Bottineau.
 Calfwell, W. C.—Bank of Monango, Monango.
 Chaffee, P. S.—First State Bank, Expansion.
 Carley, J. R.—First National Bank, Grand Forks.
 Carpenter, Geo. F.—Williston State Bank, Williston.
 Crawford, Lewis F.—Interstate Bank of Billings Co., Sentinel Butte.
 Christiansen, C. H.—First National Bank, Ryder.
 Clemens, P. W.—Northern Trust Co., Fargo.
 Clure, A. J.—State Bank of Bremen, Bremen.
 Christiansen, Albert O.—First State Bank, Fryberg.
 Cunningham, Geo. C.—Driscoll State Bank, Driscoll.

Dille, F. B.—Farmers & Merchants State Bank, Monango.
 Davis, F. M.—Sheridan Co. State Bank, McClusky.
 Dahl, S. E.—Citizens State Bank, Douglas.
 Drew, S. H.—Farmers State Bank, Arnegard.
 Dosseth, O. C.—Pioneer State Bank, Plaza.
 Danielson, E. T.—Enderlin State Bank, Enderlin.
 Dougherty, L. J.—First National Bank, Starkweather.
 DeNault, A. B.—James River National Bank, Jamestown.
 Dorschlas, D. M.—Emmons County State Bank, Brad-dock.
 Damschen, A. J.—Security State Bank, Wildrose.
 Dunham, O. N.—First National Bank, Bismarck.

Ehr, Peter—Citizens Bank, Minot.
 Eyer, Wilson—Merchants National Bank, Dickinson.
 Egan, Martin—Beach State Bank, Beach.
 Earley, J. J.—Bank of Valley City, Valley City.
 Eckmann, A. M.—State Bank of Hendrum, Hendrum, Minn.
 Elstad, C. O.—City National Bank, Bismarck.

Flatland, J. S.—Union National Bank, Minot.
 Fielder, C. W.—Bottineau County National Bank, Bottineau.
 Foss, O. T.—Farmers & Merchants State Bank, Cottonwood Lake.
 Freytag, G. H.—First State Bank, Elgin.
 Fuglic, Carl A.—Northwestern State Bank, Coleharbor.
 Friswold, Seval—First National Bank, Cooperstown.
 Farup, Karl J.—First National Bank, Park River.

Gardner, N. L.—Farmers State Bank, Havelock.
 Goddard, N. P.—Asst. Banks, Bismarck.
 Graham, F. S.—Merchants National Bank, Mandan.



"ON THE UPPER DECK"

Graham, J. A.—City National Bank, Bismarck.
 Graham, W. L.—Interstate Bank of Billings County, Sentinel Butte.
 Graves, H. T.—James River National Bank, Jamestown.
 Gregg, D. Ray—First National Bank, Sherwood.
 Garnes, A. L.—First State Bank, Regan.
 Grover, Harley S.—State Bank of Lisbon, Lisbon.
 Graham, Walter—Regan State Bank, Regan.

Heath, F. B.—Stock Growers Bank, Napoleon.
 Heath, Mrs. F. B.—Stock Growers Bank, Napoleon.
 Heath, C. J.—Stock Growers Bank, Napoleon.
 Hanks, W. F.—State Bank of Powers Lake.
 Harmsen, R. N.—Farmers Bank of Mercer County, Hazen.
 Hallenberg, H.—Lyon-Tavis Asst. Banks, Mandan.
 Halvorson, H. J.—Metropolitan State Bank, Minot.
 Hanna, L. B.—Governor, Bismarck.
 Hair, D. C.—First National Bank, Ambrose.
 Hess, Jos. P.—First National Bank, Mandan.
 Hudson, T. E.—Farmers & Merchants Bank, Beach.
 Helming, Geo. J.—German State Bank, Mott.
 Hoffert, J. C.—Foster County State Bank, Carrington.
 Hurd, C. W.—Alexander State Bank, Alexander.
 Hanna, P. L.—Bank of Sanborn, Sanborn.
 Henn, J. P.—Security State Bank, Strasburg.
 Hughes, W. J.—State Bank of Berthold, Berthold.
 Hayes, W. P.—Spiritwood State Bank, Spiritwood.
 Heegaard, C. A.—First National Bank, Mandan.
 Hollister, Geo. H.—Northern Trust Company, Fargo.
 Heen, Charles J.—First State Bank, Dunn Center.
 Howard, J. B.—First State Bank, Judson.
 Hubbell, G. A.—Farmers State Bank, Wing.

Irish, F. A.—First National Bank, Fargo.
 Irysh, W.—City National Bank, Bismarck.

Johnstone, R. S.—Union State Bank, Ashley.
 Jacobson, Geo. J.—Farmers State Bank, Walum.
 Johnson, E. H.—Reservation State Bank, Makoti.
 Janzen, C. N.—Citizens State Bank, Hazen.
 Johnson, Aug. E.—First National Bank, Washburn.
 Johnson, A.—Farmers State Bank, Baldwin.
 Janda, Geo. W.—First Loan & Security Co., Mandan.

Kees, E. A.—Security State Bank, Expansion.
 Kelly, T. R.—First State Bank, Amidon.
 Kretschmar, P. T.—First State Bank, Venturia.
 Kucheman, O. C.—Golden Valley State Bank, Beach.
 Klein, G. G.—Krem State Bank, Krem.
 Kellogg, Chas. F.—First National Bank, New Salem.
 Kopka, W. P.—Security State Bank, Halliday.

Kjelstrup, Krist—Peoples State Bank, Parshall.
Kjelstrup, E. B.—Security State Bank, Underwood.
Klein, M. A.—German State Bank, Strasburg.

Lehnart, G. A.—Farmers State Bank, Hazelton.
Leete, F. W.—First State Bank, Werner.
Lamouette, J. L.—First National Bank, Fairview.
LaGrange, O. D.—Security State Bank, Deering.
Lefor, A. A.—Lefor State Bank, Lefor.
Lefor, Nick A.—Lefor State Bank, Lefor.
Linder, L. E.—First National Bank, Plaza.
Lofthus, O. E.—First State Bank, Kloten.
Lovik, Ole—First State Bank, Larson.
Lahr, F. A.—Farmers State Bank of Baldwin, Bismarck.
Lehr, A. F.—German American State Bank, Linton.

Macfadden, W. C.—Secretary N. D. B. A., Fargo.
Mork, T. K.—Merchants Bank, Napoleon.
Mann, Paul—Merchants State Bank, Hebron.
Maas, Wm.—Merchants National Bank, Mandan.
Mars, D. D.—Dakota National Bank, Dickinson.
McMichael, R. A.—Farmers National Bank, LaMoure.
May, Fred A.—Farmers & Merchants State Bank, Dickey.

McClintock, W. C.—Tioga State Bank, Tioga.
McClintock, W. D.—Merchants State Bank, Rugby.
McGray, C. W.—Security State Bank, Underwood.
McCartney, F. D.—First National Bank, Oakes.
Morton, Chas. W.—First State Bank, Max.
Miesten, J. O.—First National Bank, Belfield.
Moen, A. O.—First National Bank, McVile.
Murphy, J. J.—Security State Bank, New England.
Muggli, John—Merchants State Bank, Richardton.
Murphy, M. F.—State Bank of Reynolds, Grand Forks.
Mann, Paul—Merchants State Bank, Hebron.
McMillon, C. B.—First National Bank, Hannah.
McKay, Andrew—Citizens State Bank, Pingree.
Morrish, W. J.—First National Bank, Page.
Mann, Geo.—Bismarck Bank, Bismarck.
Miller, R. S.—State Bank of Gackle, Gackle.
McDowell, Wesley C.—First National Bank, Marion.
Malm, Louis—First National Bank, Sanborn.

Nierling, J. J.—Citizens National Bank, Jamestown.
Newberry, G. S.—First National Bank, Carrington.
Nieter, A. H.—New Leipzig State Bank, New Leipzig.
Nelson, E. V.—First State Bank, Makoti.
Nichols, F. L.—Farmers & Merchants Bank, Kensal.
Norman, H. A.—Farmers State Bank, Halliday.
Narum, Wm.—First State Bank, Englevale.

Olgeirson, G.—German State Bank, Wing.
Olson, O. R.—Citizens State Bank, Max.
Odegard, L. H.—Douglas State Bank, Douglas.
Olson, Sylvan L.—German State Bank, Stanton.

Phelan, J. E.—First National Bank, Bowman.
Pruetz, Wm.—State Bank of Morton Co., Mandan.
Porter, M. R.—Scandinavian American Bank, Minot.
Peterson, Chas. F.—State Bank of New Salem, New Salem.
Paulson, A. C.—Scandia-American Bank, Palermo.
Peterson, Henry W.—Mouse River Valley Bank, Souris.
Peterson, P. B.—First International Bank, Landa.
Pierce, Thomas—Enderlin State Bank, Enderlin.

Reep, L. C.—Security State Bank, Bonetrail.
Remington, P. C.—City National Bank, Bismarck.
Rand, J. E.—Farmers State Bank, Havelock.
Ross, J. A.—First State Bank, Dogden.
Renter, John E.—First State Bank, Underwood.
Roth, Peter—Farmers & Merchants Bank, New Salem.
Russ, G. H. Jr.—Bismarck Bank, Bismarck.

Ross, C. W.—Northern State Bank, Grand Forks.
Rinkel, F. A.—State Bank, Antler.
Roberts, Wm.—First State Bank, Colfax.
Robinson, J. F.—First National Bank, Steele.
Robinson, D. P.—First National Bank, Garrison.
Rye, M. T.—First State Bank, Nome.
Redman, F. W.—Citizens State Bank, Fort Rice.
Reuter, K. G.—First State Bank, Underwood.

Scharf, Chas.—First State Bank, Golden Valley.
Simenson, O. O.—State Bank of Grandin, Grandin.
Sands, H. T.—Norman State Bank, Norman.
Schwegge, B. J.—Williams County State Bank, Williston.
Schroeder, H. E.—First National Bank, New England.
Shepard, Frank E.—First National Bank, Bismarck.
Shefveland, P. M.—Farmers State Bank, Van Hook.
Serr, Theo.—Mercer Co. State Bank, Mannhaven.
Skauge, H. E.—Taylor State Bank, Taylor.
Seeba, F. J.—Farmers State Bank, Harvey.
Stege, Wm. F.—First National Bank, Medina.
Spaulding, C. W.—Citizens State Bank, Streeter.
Schulenberg, Ed—First National Bank, Streeter.
Shaw, W. B.—Farmers State Bank, Rhame.

Thompson, E. M.—Bismarck Bank, Bismarck.
Tavis, L. A.—Associate Banks, Mandan.
Torgerson, Samuel—Scandia-American Bank, Grand Forks.
Turner, C. J.—Farmers State Bank, Heaton.
Taylor, Jesse J.—State Bank of Oriska, Oriska.

Uhlenkott, W. H.—German State Bank, Strasburg.

VanFleet, Frank J.—The National Bank, Larimore.

Watts, J. H.—First National Bank, Hebron.
Watson, R. M.—City National Bank, Bismarck.
Wishek, J. H.—Ashley State Bank, Ashley.
Weiser, E. J.—First National Bank, Fargo.
Woolledge, H. H.—Savings & Loan, Fargo.
White, Alfred—Dakota National Bank, Dickinson.
Wolfer, R. R.—Farmers & Merchants National Bank, Jamestown.
Wildfang, H. E.—Sterling State Bank, Sterling.
Wachter, Eugene C.—First National Bank, Bismarck.

Zellmer, W. A.—Farmers & Merchants Bank, New Rockford.

VISITORS.

Anderson, O. W.—Drake & Ballard Inv. Co., Minneapolis, Minn.
Arnold, John J.—Vice President First National Bank, Chicago, Ill.
Anderson, Mrs. A. D., Walum, N. D.

Backus, Clinton J., Jr.—Capitol Trust & Savings Bank, St. Paul, Minn.
Bezoier, S. H.—Asst. Cashier First & Security National Bank, Minneapolis, Minn.
Barrett, R. B.—Manager Underwood Typewriter Co., Fargo.
Benedict, J. W.—Sales Manager Burroughs Adding Machine Co., Fargo.
Briggs, W. E.—Vice President Northwestern National Bank, Minneapolis, Minn.
Brundage, Frank D.—Asst. Manager Knauth, Nached & Kuhne, New York City.
Buxton, L. R.—Deputy Bank Examiner, Jamestown.
Brown, Mrs. Chas. S., Oakes.
Burr, W. W.—U. S. Dept. of Agriculture, Washington, D. C.

Barringer, Mrs. W. E., Streeter.

Berreth, A. O.—Farmers & Merchants State Bank, Herried, S. D.

Collar, A. F.—Underwood Typewriter Co., Fargo.

Crockard, C. H.—President Redwater Valley State Bank, Circle, Mont.

Dow, Stephen E.—Ely-Norris Safe Co., New York City

Driscoll, C. G.—Bond & Goodwin, Minneapolis.

Dickey, W. D.—Asst. Cashier National City Bank, Chicago, Ill.

Eaton, J. C.—Eaton & Eaton, Fargo.

Ebbott, P. J.—National Park Bank, New York City.

Edens, W. G.—Secretary Central Trust Co., Chicago.

Fitzgerald, John E.—Morning Tribune, Minneapolis.

Foster, Linwood—Farnham Printing & Stationery Co., Minneapolis, Minn.

Farmer, L. G.—State Agent Peoples National Ins. Co., Fargo.

Freudenfeld, A. J.—Commercial West, Minneapolis.

Furrow, E. H.—Cashier Merchants National Bank, Cedar Rapids, Iowa.

Grimes, E. J.—Minneapolis Trust Co., Minneapolis.

Gates, F. H.—Capitol National Bank, St. Paul, Minn.

Graham, Mrs. F. S., Mandan, N. D.

Graham, Mrs. J. A., Bismarck.

Graves, Mrs. H. T., Jamestown.

Haislip, S. E.—Diebold Safe & Lock Co., St. Paul.

Hamm, L. W.—Walker Bros. & Hardy, Fargo.

Hurst, James M.—Asst. Cashier National Bank of Republic, Chicago, Ill.

Hurst, Mrs. J. M., Chicago, Ill.

Hume, R. S.—Northwestern National Bank, Minneapolis, Minn.

Hensen, Walter—Diebold Safe & Lock Co., St. Paul.

Hardy, J. P.—Secretary Commercial Club, Fargo.

Jones, Geo. C.—Sec'y and Treas. Drake & Ballard Inv. Co., Minneapolis.

Johnson, C. E.—Asst. Cashier Capitol National Bank, St. Paul.

Jacobson, Mrs. Geo., Walum, N. D.

Karlen, Bert E.—G. W. Todd & Co., Rochester, N. Y.

King, Miss Esther, Minneapolis, Minn.

Kennedy, A. H.—White, Grubbs & Co., St. Paul.

Lane, Geo. B.—Geo. B. Lane, Minneapolis, Minn.

Lyngstad, J. O.—Certified Public Accountant, Bismarck.

Luehe, F. E.—Deputy State Treasurer, Bismarck.

Leeman, P. J.—First & Security National Bank, Minneapolis.

Mahoney, J. D.—Asst. Cashier American Exchange National Bank, Duluth, Minn.

Magraw, C. Elliott—F. E. Magraw, St. Paul, Minn.

McClintock, J. M.—Victor Safe & Lock Co., St. Paul.

McMichael, Miss Maude F., Minneapolis.

Murray, W. R.—Asst. Cashier Scandia-American National Bank, Minneapolis.

Mattson, E. L.—Vice President Scandia-American National Bank, Minneapolis.

Morris, A. P.—Wells & Dickey Co., Minneapolis.

Montgomery, H. W.—U. S. Fidelity & Guaranty Co., Minot.

Morse, H. E.—Minnesota Loan & Trust Co., Minneapolis.

Murphy, Mrs. J. J., New England, N. D.

Miller, H. L.—Bismarck Tribune, Bismarck.

Morrissey, E. A.—Dakota Printing & Stationery Co., Bismarck.

Norman, Dan—Asst. Cashier Cont. & Com. National Bank, Chicago, Ill.

Norton, W. H.—National Surety Co. of New York, St. Paul.

Olsen, Peter O.—A. O. U. W. Grand Lodge, Fargo.

Pierce, J. A.—Pierce-Wheelock Co., Fargo.

Plummer, F. B.—Louis F. Dow Co., St. Paul.

Parker, H. W.—Cashier Merchants National Bank, St. Paul.

Rice, Edward O.—Vice President First National Bank, St. Paul.

Ruffin, B. A.—Secretary Insurance Committee American Bankers Association, Richmond, Va.

Runck, N.—Wales Adding Machine Co., Fargo.

Schumacker, F. H.—Minnesota Loan & Trust Co., Minneapolis.

Smith, R. J.—Burroughs Adding Machine Co., Bismarck.

Smith, Gordon C.—Vice President Stock Yards Nat'l Bank, South St. Paul.

Schumacker, O. J.—Cashier Drovers State Bank, Sth. St. Paul.

Thorsen, Ellen—Asst. Secretary N. D. Bankers Association, Fargo.

Ulland, Joseph S.—President Fergus Falls National Bank, Fergus Falls, Minn.

Wickman, Geo. M.—First National Bank, St. Paul.

Weis, Chas. F.—Miller-Davis Co., Minneapolis.

Woodbury, R. R.—American Surety Co. of New York, Minneapolis.

Walker, E. S.—Wales Adding Machine Co., Minneapolis.

Woodroffe, J. T.—Northwestern Fire & Marine Insurance Co., Fargo.

Wilson, E. B.—Diebold Safe & Lock Co., St. Paul.

Young, A. M.—Mechanics & Metals National Bank, New York City.

JUNE VISITORS AT ASSOCIATION HEAD-QUARTERS.

J. L. Ulland, Fergus Falls National Bank.

W. F. Eckes, National Bank of Wahpeton.

B. V. Moore, Dakota Trust Company, Fargo.

N. G. Eggen, Scandinavian American Bank, Fargo.

Harold Sorenson, Farmers State Bank, Buxton.

G. H. Nesbit, First National Bank, Fargo.

E. G. Quamme, State Bank of Finley.

J. J. Nierling, Citizens State Bank, Jamestown.

A. E. Raebel, Juanita State Bank, Juanita.

John S. Hove, Bartlett State Bank, Bartlett.

WANTED—Position in a bank where there is a chance to work up, by a man 26 years of age, having had six years of business experience and at present employed as travelling collector. Can speak Scandinavian. Address 48B care North Dakota Banker.



MR. J. E. PHELAN

President First National Bank, Bowman

Vice President North Dakota Bankers Association



MR. J. J. NIERLING

President Citizens National Bank, Jamestown

Chairman Executive Council, N. D. Bankers Assn.

CONSTITUTION AND BY-LAWS of the NORTH DAKOTA BANKERS ASSOCIATION.

Declaration.

In order to promote the general welfare and usefulness of banks and banking institutions, and to secure uniformity of action, together with the practical benefits to be derived from personal acquaintance and from the discussion of subjects of importance to the banking and commercial interests of the country, and especially in order to secure the proper consideration of questions regarding the financial and commercial usages, customs and laws which affect the banking interests of the entire country, and for protection against loss by crime, we do adopt the following constitution and by-laws of the North Dakota Bankers Association:

CONSTITUTION.

Article I.

Section 1. This association shall be called "The North Dakota Bankers Association."

Article II.

Section 1. Any national bank, state bank, savings bank or trust company may become a member of this association upon the payment of such annual dues as shall be provided by the by-laws, and may send one delegate to the annual meeting of the association; and any member may be expelled from the association upon a vote of two-thirds of those present at any regular meeting.

Section 2. Delegates shall be an officer or director or trustee of the institution they represent.

Section 3. Any county association or district as-

sociation, consisting of more than one county, of banks and bankers may be represented at all conventions of this association by one delegate for every ten members of such association and such delegate shall be entitled to all the privileges of the convention.

Section 4. Delegates shall vote in person; no voting by proxy shall be allowed. No delegate shall vote in more than one capacity, nor shall any county or district association be entitled to more votes than it has delegates present at the meeting.

Section 5. All votes shall be viva voce, unless otherwise ordered; any delegate may demand a division of the house.

Section 6. A district association, as referred to in this constitution, shall embrace at least one county and shall be determined along county boundaries.

Article III.

Section 1. The administration of the affairs of the association shall be vested in the president and first vice president of this association, and one vice president for each county or district association which may be represented in this association and in an executive council, who shall be elected at the annual meetings, and who shall serve until their successors are chosen or appointed. The executive council shall be composed of eight members, who shall be elected annually; one member of the executive council shall be annually chosen by the delegates from the several judicial districts of the state; the president and first vice president and ex-presidents, if still members of the association, shall also be members ex-officio, and no president or vice president nor retiring member of the executive council shall be eligible for re-election for the period of one year after the expiration of his term of office.

Section 2. Immediately after the first adjournment that occurs in the session of the annual convention the delegates from each judicial district of the

state shall meet, at which several meetings the respective member of the executive council, if present, shall preside, and these meetings of representatives from the judicial districts shall each select a member who shall, with others so selected, constitute and be the executive council for the ensuing year. No delegate from any county or district association shall be eligible unless he is a member of The North Dakota Bankers Association. The elections for president and first vice president shall be by ballot, unless otherwise ordered.

Section 3. Each member of the executive council shall have the supervision of such business of the association, exclusive of its general business in charge of the executive council and other officers, as may pertain to the judicial district in which he resides, and may call meetings therein relative to such business whenever he may deem the same necessary.

Section 4. The executive council shall meet immediately upon the adjournment of the annual convention of the association, and a quorum being present, elect one of their number chairman, and appoint standing committees, a secretary and a treasurer, and such other employes of the association as may be deemed proper, and the council may, at their discretion, discharge the secretary, treasurer or other employes. The executive council shall have power to fill vacancies that may occur in any of the offices of the association and in the membership of the council.

Section 5. The executive council shall take charge of the general business of the association, receive communications, arrange for holding the annual convention and other meetings, procure and arrange subjects for discussion in the order in which they may come before the convention, provide for speakers and carry out the resolutions passed. They shall also act as a financial committee for raising and disbursing moneys. The attendance of four members of the council shall constitute a quorum for the transaction of business.

Section 6. Special meetings of the executive council may be called by request of three of its own members, giving one week's notice to the secretary, desiring him to call such special meeting.

Section 7. The executive council shall provide, first, for keeping the records of the proceedings of their own meetings, as well as that of the association's annual and special meetings; second, they shall submit to each annual meeting a report, covering their own official acts as well as a statement of any new or unfinished business requiring attention; third, they shall make full statements of the financial condition of the association; and, fourth, submit an estimate of the amount required to carry on the affairs of the association according to their judgment of the business to be done, recommend means for raising money to carry out such plans as may be resolved upon by the association, and raise and disburse the money therefor.

Section 8. The secretary shall collect all dues and turn the same immediately over to the treasurer, make and have charge of the records of the association and of the executive council. These records shall include the correspondence of the executive council. These records shall be the property of the association and be held subject at all times to the order of the executive council.

Section 9. The treasurer shall receive and account for all moneys belonging to the association, but shall pay out moneys only upon vouchers countersigned and approved by the president of the association and by the secretary appointed by the executive council.

Article IV.

Section 1. Annual conventions of the association shall be held at such times and places as shall be determined by the executive council. Special meetings may be called by the council if, in their opinion, circumstances require them, giving two weeks' notice of the time and place of meeting, together with the subject matter of business to come before such special meeting. The executive council shall meet to arrange the order of business on the day preceding any general meeting of the association.

Article V.

Section 1. The expenses of the executive council of the association in carrying out the business to be done by it shall be provided for by the annual dues of the members of the association; provided, however, that the executive council shall have no authority to incur or contract on behalf of this association any liability whatever beyond the amount of the annual dues and moneys especially collected. No expenses shall be incurred except for purposes designated in this constitution.

Article VI.

Section 1. Any one failing to pay within three months the membership dues shall be considered as having withdrawn from the association, but may be reinstated upon application to the secretary and paying all dues in arrears, with the consent of the president or chairman of the executive council.

Article VII.

Section 1. This constitution may be amended at any annual meeting by a vote of two-thirds of the members present, notice of the proposed amendment having been submitted to the secretary at least thirty days before the annual meeting, and the secretary shall forward to every member of the association a copy of such proposed amendment, at the same time the other notices are sent out, and shall submit it to the executive council, that they may arrange to bring it before the convention under the regular order of business.

BY-LAWS.

First. The annual dues to the association shall become due and payable in advance September 1st of each year, which date shall be the commencement of the fiscal year of the association. The annual convention of each closing year shall be held at such time as the executive council may select; it being understood that absent members from such annual meeting shall not forfeit their membership nor the right to become members, provided they comply with the constitution and by-laws, and remit the amount of the dues to the treasurer within at least three months after September 1st of each year.

Second. The annual dues of the members of this association shall be as follows: All members having an aggregate capital and surplus of \$25,000.00 or less, \$7.50; all members having an aggregate capital and surplus of over \$25,000.00 and up to \$50,000.00, \$15.00; and over \$50,000.00, \$20.00.

On June 1st the consolidation of the Farmers State Bank and the State Bank of Baker took place, giving Baker a strong financial institution with \$15,000 capital. The consolidated bank will be known as the Farmers State Bank of Baker and the officers are as follows: E. Beissforth, president; A. W. Engel and E. O. Craig, vice presidents; Sam Brevig, cashier; A. J. Scoffa, asst. cashier.

CINCINNATI BANKER IS FORGERY CASE WITNESS.

Hans Fischer, indicted for the alleged forgery of a \$500 check cashed by the Eskimotor Company of 120 Fourth Street north, on April 22, 1915, may be brought to trial in district court today, County Attorney Rees said last night. Carl Ansehaw, alias Benderann, indicted on the same charge, will be placed on trial also.

Fischer and Ansehaw are the pair known as "the gentlemen forgers" who previous to their arrest said they were officers in the German army and were to return to the front soon. By this statement they gained acquaintanceship with nearly all of the wealthy Germans of the city, it is said. After their arrest practically all of the large cities in the Middle West asked that the pair be turned over to them for alleged charges of forgery or swindling. It is estimated that they issued 2,000 bogus checks for at least \$50,000. It is also charged that they sold worthless Panama-Pacific Travelers' Checks to the amount of \$25,000. Fischer was formerly in business in Detroit, Mich., but became bankrupt and then, it is said, started on his career as a professional forger. He is of German birth and was educated in Germany. Ansehaw is said to be his accomplice.

Cincinnati Banker to Testify.

H. W. Morganthaler, a capitalist and director of the Court Street Savings Bank of Cincinnati, upon which bank the check for \$500 was drawn, left last night for Minneapolis to testify today against Fischer. Before leaving Mr. Morganthaler told of Fischer's career in Cincinnati.

Mr. Morganthaler said: "I am certain that Fischer is the same man who had an expensive office in the Greenwood building in Cincinnati several months ago, and who attempted to cash a check at the Court Street Bank for something around \$150.00. The check was written on a blank of the German American Bank of Detroit, Mich., and Fischer said he received it from the Highland Park Realty Co. of that city. It was signed 'L. M. Bender.' We did not cash it as officials of the Detroit bank informed us that they knew neither the real estate concern nor Bender. At that time Fischer stated he was employed by the Southern Securities Company of Detroit. We were unable to locate the company.

"As he had not obtained any of our money we took no further action at the time, but now I am going to Minneapolis to tell the authorities what I know of the case, and help them land their man."

Had Several Assistants.

Morganthaler stated that Fischer had several assistants in his promotion schemes while working in Cincinnati. Fischer, according to the Cincinnati police, cut a decided figure in Vine Street sporting circles there during his stay, but as advices from Detroit continually cautioned any credence for his promotion plans and his record there sent to various parties with whom he tried to deal, it is thought that he did not succeed in defrauding any banks or business people for large amounts, though many small alleged shady local transactions are placed to his credit by the Cincinnati police. He invariably, it seemed, used fictitious signatures from Detroit on all the alleged bogus paper passed here and at Columbus, Ohio, and Detroit.—Minneapolis Tribune.

FOR SALE—Protectograph check writer, new. Will sell at a bargain. Address B3, care North Dakota Banker, Fargo.

FEDERAL RESERVE BANKS.

On June 16th the Federal Reserve Board notified the Reserve Banks that in accordance with the terms of the Federal Reserve Act the Board makes its assessment for its expenses during the second half of 1915 an amount equal to one-tenth of one per cent of the capital stock of the Reserve banks. This assessment will realize \$108,000, or at the rate of \$216,000 a year. At the first of May the Board estimated that its yearly expenditures for salaries alone would be about \$160,000.

The extent to which reserve banks are making profits sufficient to pay their expenses and also to pay dividends on the stock held by member banks will be disclosed in a statement which the Board will make public about July 1. Meanwhile, the only information on this subject now obtainable occurs in unrelated statements of officers of particular banks. For example, the governor of the Federal Reserve Bank of New York said early in June that his bank has in the past six months earned its current expenses and a considerable additional amount which could be applied to the initial expenses of organization. This bank has resources of \$152,000,000, and has about \$9,000,000 employed through investment in commercial paper, warrants, bonds, etc. If it increased its investments three or four times it would easily earn its expenses and the dividends on its stock. It will be recalled that the capital stock in reserve banks is entitled to six per cent cumulative dividends.

The amount of foreign acceptances based on foreign trade held by reserve banks shows a tendency to increase once more, on June 11 being \$11,100,000. On May 28 the amount of acceptances in the hands of the reserve banks had fallen to \$9,200,000—a figure which was the lowest since the middle of March and which probably indicated that the great volume of acceptances which had been made by national banks and trust companies was finding a more advantageous market elsewhere than with the reserve banks. The amount of acceptances held by reserve banks reached its highest figure on April 19, when it was \$13,800,000 and represented about 40 per cent of all commercial paper held by the twelve reserve banks.

RULES FOR STATE BANKS JOINING RESERVE SYSTEM.

Washington.—Rules and regulations to govern the membership of state banks and trust companies in the Federal reserve system have been made public by the Federal Reserve Board.

The regulations make eligible banks and trust companies incorporated under state laws, having paid up capital of \$25,000 in towns of 3,000 or less; \$50,000 in towns of from 3,000 to 6,000; \$100,000 in towns of from 6,000 to 50,000, and \$200,000 in cities of more than 50,000.

State banks and trust companies will subscribe, as do the nationals, to the capital stock in the reserve bank to the amount of 6 per cent of their capital and surplus and may withdraw and cash in their stock on giving 12 months' notice.

WANTED—Position as cashier or assistant in Dakota or Montana bank. Am 24 years old, married, have three years banking experience and am graduate of good business college. Best of references. Address B240, care North Dakota Banker.

The North Dakota Banker

PUBLISHED MONTHLY

BY THE
NORTH DAKOTA BANKERS' ASSOCIATION
A. O. U. W. BUILDING
FARGO, N. D.

JULY, 1915

W. C. MACFADDEN, *Editor.*
M. C. BACHELLER, *Business Manager.*

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Free to Members N. D. B. A.

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GEO. B. LANE
COMMERCIAL PAPER
AND LOCAL INVESTMENTS
FIRST FLOOR SECURITY BANK BLDG.
MINNEAPOLIS, MINN.



THE 1915 CONVENTION.

The Thirteenth Annual Convention of the North Dakota Bankers Association, held at Bismarck, June 16th and 17th, will long be remembered by the members of the Association. The only criticism that might be made is that the members did not get together on time at the various sessions and for this reason it was not possible to complete quite all of the program, which could easily have been done had the sessions been held promptly on time.

The program was very interesting all the way through but perhaps was a trifle too long. The entertainment features were the best ever furnished by any city entertaining the convention and were complete in every detail.

The automobile ride with stops at the penitentiary, State Capitol, Northern Pacific bridge, Bismarck Country Club, Patterson's Model Dairy Farm, etc., was very pleasant.

The afternoon tea for ladies attending the convention given by the ladies of Bismarck would have been very satisfactory if more members attending the convention had been accompanied by their wives. The ladies of Bismarck, however, did their part to give the ladies who were in attendance a very pleasant afternoon.

The moving picture show at the Grand Theatre was quite interesting, and the annual ball held at Patterson's Hall was one of the most pleasant features of the occasion.

While the luncheon and reunion of Past Presidents held at noon on Thursday in the private dining room at the McKenzie hotel was beyond doubt one of the most pleasant occasions for those present ever held by the Association, the number present was of necessity limited. Each Past President present was presented by Mr. G. S. Grover, chairman of a committee appointed several years ago for this purpose, with a beautiful gold souvenir pin bearing the emblem of the Association and the date of service of the recipient as President. Mr. Grover in his presentation remarks called attention to the valuable services rendered the Association by all of the Past Presidents during their terms of office and laid especial emphasis on the fact that the pins were presented for the purpose of reminding them that their aid and cooperation is still needed in order that the organization may accomplish all that its officers and members hope to have it accomplish. All present at this reunion were enthusiastically in favor of making the luncheon and reunion an annual event at which time a pin similar to the ones presented would be presented to the outgoing president.

The biggest feature of the entertainment program, however, was the trip up the Missouri river and back on the gallant boat "Scarab" with Commodore I. P. Baker, of the Bismarck Bank in command. The boat was crowded to its fullest capacity which made it impossible to carry out the program of having dancing on the trip, but a luncheon was served and there was not enough left to gather up even one basket full. Two colored musicians with banjos furnished the music on

Guaranty Service X

Our Literature

It is our established policy to prepare and publish in convenient form for the benefit of our customers and the general public, reliable information concerning subjects of timely and vital interest.

As part of this program of constructive service, the following are a few of the publications recently issued by us:

1. Concise Digest of Federal Reserve Act.
2. Federal Income Tax Law with Synopsis of Rulings.
3. Synopsis of War Tax Law of 1914.
4. Bank Acceptances.
5. Railway Equipment Obligations (1914 edition).
6. Amortization.
7. Income Tax Record Book.
8. Secured Debts Tax Law of State of New York.
9. Transfer Tax Law of State of New York.

Upon application we shall be glad to furnish copies of any of the above; and if you should desire our literature as issued from time to time we shall, upon request, place your name on our mailing list for that purpose.

Guaranty Trust Company of New York

Capital and Surplus - \$ 30,000,000
Resources, over - 300,000,000

the trip. A part of the program, the election of officers, appointment of committees, etc., with short addresses of acceptance by President-elect McClintock, Vice President Phelan, and a rousing address by Senator McDowell added to the pleasure of the occasion.

All members of the Association who were fortunate enough to be at Bismarck will surely accept the first opportunity to return to the Capital City under like circumstances.

It is quite evident from the experience of many conventions that members thoroughly enjoy the opportunity to get together, renew acquaintances and gather information from each other, and it is planned that at future conventions more time will be allowed for this feature of the meeting. With two principal addresses, one on each day, by speakers of national reputation, the balance of the time can be very profitably and successfully filled in by local talent and officers of the Association.

It was proposed at the convention to be held at Minot next year to give more time for the social and entertainment features than has ever been planned before.

The Thirteenth Annual Convention was surely a great success and set a high mark for those in charge of future meetings.

CIVILIZATION'S STANDARD BEARER.

It has been largely within the last decade that the people of the United States have come to a consciousness of the place of their nation among the Powers of the World. And with consciousness of strength has naturally come a dignity and a poise which are unattainable, perhaps, when economic processes are under way in such scope and magnitude as characterized the last years of the nineteenth century. Those last years saw the development of immense natural resources, the birth of great enterprises, the expansion of gigantic industries, the upbuilding of large fortunes, and the partial adjustment of the relations between capital and labor which provide such complex problems in a period of rapid growth of public and private enterprises.

As a nation our government has written a glorious history of dignity, of restraint, without, however, detracting from its record of firmness, initiative and achievement. But Americans themselves, though lacking nothing in patriotism, in willingness to sacrifice their lives and property for their country, have not until recent years attained that poise of mind, that careful judgment, as to their relations with other countries of the world, which more naturally characterize a people when rapid economic development has passed its crucial stages.

But today we find this consciousness of that greater patriotism—a realization of responsibility worldwide in scope—present in a highly developed degree in the American people. This patriotism has been quickened, no doubt by the present war, and for its most eloquent expression we need but to look at the attitude of the American people in the face of the appalling disaster of but a few days ago. The nation has been deeply shaken, its revulsion at the German methods of wholesale murder of noncombatants, many of them of our own flesh and blood, upon the sea, is inexpressible; but there is no impulsive retaliation, no underlying desire to act in any way except on the firm foundation of sober judgment.

This is not callousness; it is a national refinement, the evidence of depths of feelings which will accomplish an adequate purpose in the end, while at the same time it will set an example for a world which sadly needs the torch for the higher civilization to be kept burning by constant hands in such dark times as these.—Financial America.

GOVERNMENT FINANCES.

In the Bulletin for May 20 an indication was given of the gradual decrease since last August in the working balance in the United States Treasury. At the end of May the balance in the general fund reached its lowest point, about twelve million dollars. During June it has increased, now being \$21,000,000. This increase appears to be due to the payments which are now coming in on account of the emergency revenue law of last October, and the income tax.

From the income tax for the year 1914 officials of the Treasury now estimate they will collect a total of \$83,000,000—or three million dollars more than they estimated last December. To the end of April, the latest date for which detailed statistics of collections are available, the total amount received since last June on account of the income tax was \$13,700,000, a large part of which was undoubtedly tax for the year 1913. Although the heaviest payments of income tax will be made in the last few days of June, they amounted to three-quarters of a million a day as early as June 9.

The collections on account of customs, on June 16,

were less for the eleven and a half months by \$81,000,000 than for the corresponding period of the year before.

The collections from the ordinary internal revenue taxes—on spirits and tobaccos—are also less than last year. For the month of April, '15, these collections were less by \$1,692,000 than in April 1914, and in the ten months since last June, less by \$22,574,000 than in the corresponding period of the year before. This decrease, however, was more than compensated by the collections under the emergency revenue law of last October, which to the end of April had aggregated \$38,620,000. Of this total \$1,940,000 came from the tax on wines, \$13,400,000 from the additional on fermented liquors, \$1,800,000 from taxes in connection with tobacco, \$4,300,000 from the tax on bankers, brokers, etc., and \$17,000,000 from stamp taxes.

BANK ADVERTISING.

The more business created for one advertiser, the more there will be for all advertisers in the same line. The first year's advertising of American Bankers' Association travelers' cheques resulted in a large increase of sales of other kinds of travelers' cheques as well as those of the Bankers' Association.

These facts, reiterated by Mr. Edwin Bird Wilson, manager of the advertising department of the Bankers Trust Company of New York, in an address before the North Dakota Bankers Association, amply bear out his contention, that banking institutions would do well to unite by communities for advertising.

The banking institutions of any one community possess functions which are largely common, and their services are similar. Let any one of these institutions indicate through advertising that it is stronger than other local institutions, and the impression produced on the public mind is not one of related service but safety. A basis is laid for dangerous comparisons, with the result that the public patronage of all the local banks actually may fall off.

Let the banking institutions of a community cooperate in educating the local public to the advantages of utilizing the services they offer, of the advantages both the individual and the locality, and the common soundness of all the local institutions because of their regulation by the state and Federal law and their management by men of intelligence, judgment and moral responsibility, and the results certainly will be such as to prove beneficial to all the banking institutions.—Financial America.

COMING TO THE RESCUE.

A revelation of the great benefit the federal reserve bank may render the nation is shown in the case of the Mt. Gilead bank in Ohio. There the bank had suffered the calamity of a defalcation through the crime of one of its principal officers, who abstracted about \$40,000 from its vaults by various devices. It was a blow to the bank and a shock to the community that promised serious consequences to the business of that locality. From the federal bank headquarters at Cleveland an examiner was sent to Mt. Gilead to learn of the conditions. He found that the bank should not be ruined nor the business of that section seriously affected by that defalcation, so the federal reserve bank came to its relief and furnished the money necessary to tide over the tightness that the crime of the recreant official had inflicted.

The very fact that the federal reserve came to the assistance of the bank brought back confidence to the people and now the bank is running as smoothly as ever. It was, as President Wilson might say, "a

CONDENSED STATEMENT

OF THE CONDITION OF THE FIRST NATIONAL BANK FARGO, NORTH DAKOTA

AS REPORTED TO THE COMPTROLLER AT THE CLOSE OF BUSINESS
JUNE 23, 1915

RESOURCES

Loans and Discounts.....		\$2,295,669.49
Overdrafts.....		122.34
U. S. Bonds (3 %s of 1918) securing circulation.....	\$50,000.00	
U. S. Bonds (4 %s of 1925) securing circulation.....	50,000.00	100,000 00
Stock in Federal Reserve Bank.....		15,000.00
Other Stocks and Bonds.....		180,434.70
Furniture and Safety Deposit Vaults.....		28,545.00
Demand Loans.....	\$237,615 22	
U. S. Bonds (3 % Panamas).....	70,000.00	
N. Y. City Bonds (4½ %).....	40,000 00	
Cash and due from Banks.....	743,423 41	1,091,038.63
		<u>\$3,710,810.16</u>

LIABILITIES

Capital.....		\$ 300,000.00
Surplus.....		200,000 00
Undivided Profits.....		36,673.25
Circulation.....		100,000.00
Deposits.....		3,074,136.91
		<u>\$3,710,810.16</u>

OFFICERS

E. J. WEISER, PRESIDENT
F. A. IRISH, VICE PRESIDENT
J. O. WATSON, VICE PRESIDENT

G. H. NESBIT, CASHIER
E. G. CLAPP, ASSISTANT CASHIER
H. D. CROSBY, ASSISTANT CASHIER

YOUR BUSINESS SOLICITED

FIRST NATIONAL BANK OF FARGO

THE OLDEST BANK IN NORTH DAKOTA

psychological condition." Though the bank had abundance and surplus, the crime had stricken the faith of the people, so the federal bank influence was to give the surplus its proper sway, and leave the crime to be taken care of by the state. This little incident shows happily the beneficent influence of the federal reserve act, and indicates how readily it may act, save a community from a panic starting from the failure of a bank that ought not to fail. Thus this splendid currency legislation renders almost impossible the recurrence of the panic.—The Ohio State Journal.

THE WORLD'S GREATEST BANK.

According to a statement of March 25, 1915, the London City & Midland Bank of London, England, now heads the list of the world's greatest banks, as regards deposit accounts. On that date this bank reported deposit and current accounts of \$676,000,000. This is an increase of nearly \$100,000,000 since February, 1914, and only slightly less than double the deposits of February, 1911.

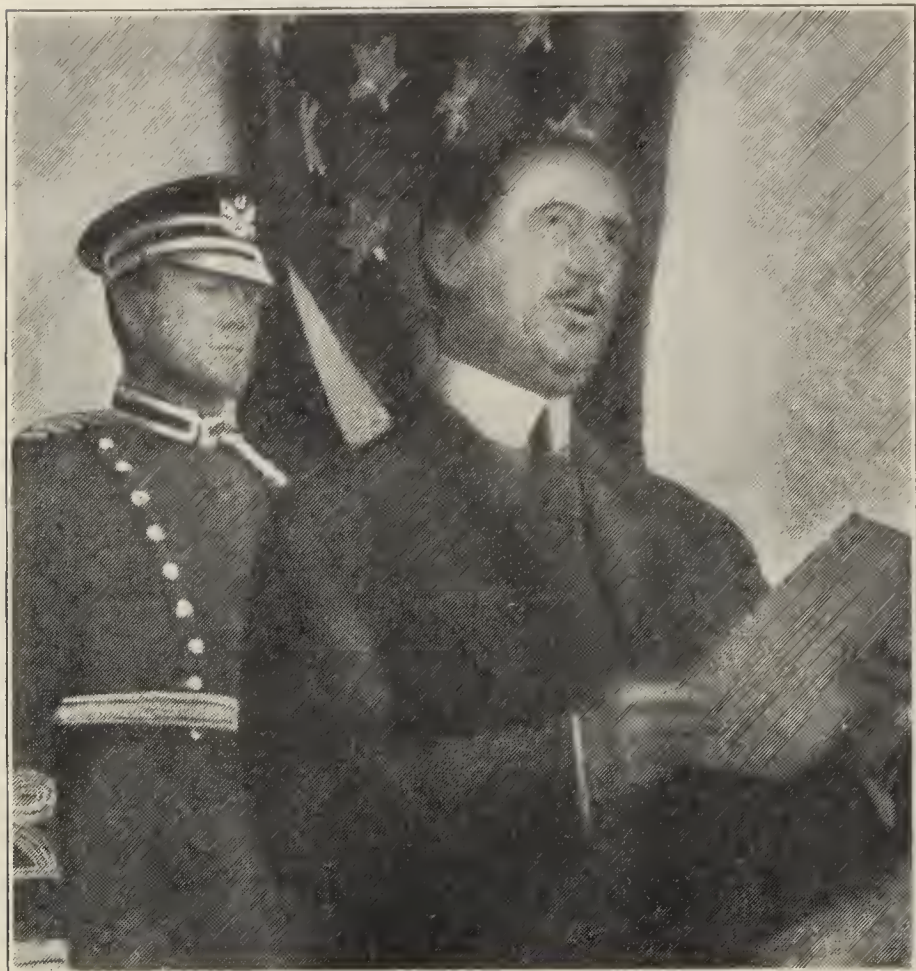
Last summer the London "Statistics" published a list of the world's greatest banks, giving the Imperial Bank of Russia first place with about \$600,000,000

deposits. Lloyd's of London second, with \$500,000,000; the London City & Midland third, with \$450,000,000; Credit Lyonnaise fourth, with \$430,000,000; London & Westminster fifth, with \$425,000,000; Deutsche Bank sixth, with \$395,000,000; Bank of England eighth, with \$350,000,000; Bank de la Argentine sixteenth, with \$230,000,000; National City Bank of New York seventeenth, with \$220,000,000; Bank of France twenty-first, with \$200,000,000; and the Imperial Bank of Germany twenty-fourth, with \$195,000,000.

Following close to the Bank of Germany's figures come the Bank of Montreal, the Canadian Bank of Commerce and the Continental & Commercial National Bank of Chicago.

Recent reports of deposits of the National City Bank of New York boost that bank up to near sixth place, along with the Deutsche Bank and Bank of England.—Commercial West.

WANTED—Position as cashier or assistant in Dakota or Montana bank. Am 24 years old, married, have had three years bank experience and am graduate of good business college. Best of references. No. 4W, care North Dakota Banker.



GOVERNOR L. B. HANNA
at the Exposition on "North Dakota Day."

N. B.—The gentleman behind the Governor is Past President "Col." C. E. Batcheller of Fingal. The Colonel's picture is very poor but it is him just the same and Mrs. Batcheller is not far away. Gov. Hanna and Col. Batcheller were unable to attend the luncheon of the Past Presidents at the Bismarek Convention and the Past President's Souvenir Pins were presented to them while on their way to San Francisco by Mrs. Batcheller.

CREDIT WHERE DUE.

Dr. Bradford Knapp, head of the farm demonstration work of the Department of Agriculture at Washington, in a recent speech very rightly gave North Dakota credit for originating the Better Farming Movement. We are very modest in North Dakota and have not "tooted our own horn" in this connection, but truth always prevails in the end and at last we are getting proper credit for one of the biggest ideas that ever struck the country. Joseph Chapman recognized its greatness better than we did in North Dakota and by coupling with it better educational methods soon had the bankers of the whole nation behind the movement.

Dr. Knapp gives six fundamental reasons why the one-crop system of agriculture is economically unsafe, as follows:

First—A one-crop system is unsafe economically because it is dependent upon crop conditions and market conditions. The failure of the weather brings disaster, and likewise the failure of the market brings ruin.

Second—The one-crop system of agriculture does not maintain soil fertility. What chances has crop rotation to restore humus, nitrogen and other elements to the soil taken out by the plants or for the production of manure for the same purpose.

Third—The one-crop system of agriculture fails to take livestock into account. No permanent system

of agriculture has ever been devised which did not include a reasonable livestock industry.

Fourth—The one-crop system is uneconomic because under it no equated system of farm management can be adopted. The farm is a business itself, just like a manufacturing plant.

Fifth—Under the one-crop system of agriculture the return for labor comes but once in the year, whereas under a properly diversified system of agriculture the return comes in a number of times during the year.

Sixth—The one-crop system limits knowledge, narrows citizenship and does not foster home-building. This is because it is a non-productive agriculture and an uncertain agriculture.

FARM MORTGAGE INVESTMENT.

The Farm Mortgage Bankers' Association has called new attention to the wisdom of removing legal obstacles against the farm mortgage as an investment for the funds of savings banks and trust companies in the New England and Eastern states. With the exception of Vermont and New Hampshire, practically every state in the groups named for some time has had laws which either prohibit or penalize, through taxation or otherwise, certain classes of investments outside of the state. These include investments in prime first farm mortgages.

Not only to farm mortgage bankers but to such members of the investment public as are familiar with the situation, the rigidity with which these laws are defended locally seems lacking in justification when a comparative analysis is made of conditions a quarter of a century ago and today. The present attitude is founded upon the experiences of some of the eastern investors in the early nineties. But the weeding out of the old-time adventurous operators and the present effective disposition to eliminate all undesirables from the field have tended to standardize the business, until now there are fewer farm mortgage bankers than ever before whose methods are not above reproach.

This condition obtains to a degree which should render obsolete the laws of those states which effectually deprive their citizens of the privilege of investing in prime farm mortgages.—*Financial America*.

WAR RISK INSURANCE.

On June 17 the number of policies issued by the Bureau of War Risk Insurance since it began operations in September, had reached 1204. These policies gave total insurance of \$77,243,000, for which \$1,878,000 was paid in premiums. The net amount at risk on June 17 was \$6,369,000. The losses paid amounted to \$709,000, and the losses as yet unpaid \$11,550,—on account of insurance on the William P. Fry, the sailing vessel which was sunk by a German auxiliary cruiser and adjudication regarding which is apparently before the German prize court.

FOR SALE—Edison Dietaphone in good condition, complete with shaving machine. Used only about two weeks. Will sell cheap. Address D, care North Dakota Banker, Fargo.

WANTED—Position as clerk in bank. Good habits and good references. Have completed the Commercial Course at Concordia College, Moorhead, also four months course at Dakota Business College, Fargo. Address V. A. care North Dakota Banker.

ABSTRACT OF COMPARATIVE STATEMENT OF THE STATE BANKS AND TRUST COMPANIES
IN NORTH DAKOTA FOR CALLS AT THE CLOSE OF BUSINESS ON
MARCH 4th AND MAY 1st, 1915.

RESOURCES	March 4, 1915. 629 State Banks 4 Trust Companies Reporting	May 1st, 1915. 625 State Banks 4 Trust Companies Reporting	
Loans and Discounts.....	\$47,886,245.37	\$50,217,913.41	\$2,331,668.04§
Overdrafts.....	211,084.82	157,807.74	53,277.08*
Warrants, Claims, etc.....	1,928,016.09	1,519,273.20	408,742.89*
Banking House, Furniture and Fixtures.....	2,771,594.94	2,820,050.12	48,455.18§
Other Real Estate.....	1,961,923.72	2,069,285.33	107,361.61§
Due from Approved Reserve Agents.....	11,288,529.50	10,382,225.95	906,303.55*
Due from other banks.....	948,052.36	678,175.56	269,876.80*
Cash Items.....	392,727.30	358,671.50	34,055.80*
Cash.....	2,230,751.52	2,199,266.08	31,485.44*
TOTALS.....	\$69,618,925.62	\$70,402,668.89	\$783,743.27§
LIABILITIES.			
Capital Stock paid in.....	\$9,050,500.00	\$9,018,500.00	\$32,000.00*
Surplus Fund.....	2,793,530.95	2,793,682.88	151.93§
Undivided Profits.....	605,687.49	366,391.54	239,295.95*
Due to other banks.....	1,101,358.25	1,045,450.33	55,907.92*
Deposits subject to check.....	21,568,734.19	21,742,660.23	173,926.04§
Demand Certificates of Deposit.....	545,419.17	652,999.90	107,580.73§
Time Certificates of Deposit.....	29,460,130.93	30,756,313.03	1,296,182.10§
Savings Deposits.....	1,824,356.71	1,873,838.34	49,481.63§
Certified and Cashier's Checks.....	881,863.81	526,395.60	355,468.21*
Bills Payable.....	1,602,963.65	1,442,466.00	160,497.65*
Rediscounts.....	155,684.31	157,785.63	2,101.32§
Other Liabilities.....	28,696.16	26,185.41	2,510.75*
TOTALS.....	\$69,618,925.62	\$70,402,668.89	\$783,743.27§
§Increase.			*Decrease.

PROTECTIVE DEPARTMENT

WARNING.

The William J. Burns International Detective Agency has recently sent out a circular warning banks to be on the lookout for three dangerous criminals who for several months past have defrauded banks and merchants throughout the country in spite of repeated warnings of these criminals which have been published in the American Bankers Association Journal-Bulletin.

The first operator has used the names of C. Wood, C. Warner, C. Ware, C. Weston, C. Wade, C. Watson, C. Carter, W. Warren, W. Carson, and many others. He sometimes represents himself as being prominently connected with some railroad, and his most successful and dangerous method has been to steal firm checks and bank cashier's checks from printing houses, forging the name of an official of the firm, or cashier of the bank. Banks are warned to look out for this party. The forger is described as follows: Age, 40 to 45 years; height, 5 ft. 8 to 10 in.; weight, 170 to 190 lbs.; build, stout; complexion, dark, ruddy; hair, dark brown; eyes, blue; nose, straight; beard, smooth shaven; neatly dressed; jovial disposition, good talker, respectable and assuring appearance.

The second operator uses the following names: F. Holtz, A. Neis, C. B. Brooks, J. D. Tate, E. O. Backer, Sam Franco, and many others. This party is defrauding banks, hotels and merchants throughout the coun-

try by means of counterfeit Panama-Pacific Tours Travelers' checks. He is described as follows:

Age, 35 to 40 years; height, 5 ft. 6 in.; weight, 150 to 160 lbs.; build, stout; complexion, medium dark; hair, medium chestnut; eyes, blue gray; smooth shaven; nose, large Roman. Peculiarities: Is very near sighted, wears glasses with thick lenses, possibly may be blind in one eye. Speaks with pronounced German accent. Is probably a German-Jew. Well dressed.

The third operator has thus far used his own name which is J. H. Cummings. Mr. William J. Burns will personally pay a reward of \$100 and Mr. Angelo Molinar, of Kemmerer, Wyoming, will also pay \$100 reward for information leading to the arrest of J. H. Cummings. This man claims to be employed by the Burns International Detective Agency and exhibits their cards as identification. He is operating throughout the country with worthless checks drawn on the Canal Bank & Trust Company, New Orleans, La. He is described as follows:

Age, 35 to 40 years; height, 5 ft. 8 in.; weight, 190 to 200 lbs.; build, stocky; eyes, dark gray; complexion, dark; smooth face; talks with a lisp.

He writes a firm bold hand. Should any of these men appear in your bank or be seen in your city have them immediately arrested and notify the Secretary's office at Fargo by telegram. Please show this notice to the police and the sheriff's force, and to all bank employees.

We have notice from a member of the North Dakota Bankers Association of the theft of the following automobile: Monroe Roadster, 20 horse; 4 cylinder, electric lights, electric starter, electric horn, 96 in. wheel

base, 30x3 casings. Car. No. 1430, color black, clear running boards with nickel floor; oval gasoline tank at rear behind top, capacity 12 gallons, square black oil covered trunk fastened to rear deck behind gas tank; no tire carrier or speedometer; left hand drive, center control, three speeds, forward and reverse; Willard storage battery; top; also black cloth robe with one blue side; also one brown mixed colored raglan coat. This car had only been run about one hundred miles and as yet no license was issued for it.

One of our members reports a forged check successfully worked on one of their customers. The check was signed F. M. Booth in favor of L. Torgerson, in the sum of \$72.50. It was drawn on the First National Bank of Forsyth, Montana.

We also notice that this party, L. Torgerson, is wanted at Forsyth, Montana, for forgery. He evidently has several blank checks taken from the check book belonging to F. M. Booth with whom he claimed an acquaintance while in Forsyth. He also presented a check while in Forsyth on a bank in Ellensburg, Washington, and secured cash on it on the strength of Mr. Booth's endorsement.

Torgerson was formerly inspector of factories in Minnesota, under Governor Johnson, and his home is Albert Lee, Minnesota. He is described as follows:

Height, about 5 ft. 10 in.; weight, about 185 lbs.; smooth face; wears dark gray suit with light gray Raglan coat and carries a matting suit case trimmed with leather, and also a dark brown traveling bag.

If he should appear kindly wire the Secretary's office at Fargo promptly and hold until a warrant can arrive.

Certificate of deposit No. 1518 issued by the McGregor State Bank in favor of Dennis Pettas for \$225 dated April 3rd, 1915, has been lost or stolen. Please notify the Secretary's office if it should be presented for payment.

SWINDLER CAUGHT.

On the 18th of last month a sleek looking fellow, purporting to be a traveling man, called at the residence of George B. Perkins, president of the First National Bank, after banking hours. Giving his name as A. Orner, he said that he was traveling for a wholesale drug house in Philadelphia and was disappointed in not getting his expense check. Disliking to ask accommodations of the trade, he concluded to borrow some money of a banker and was willing to put up as collateral a valuable watch given him by his wife. Mr. Perkins, believing the smooth story, loaned him \$30 and he departed. His expenses must have been heavy, for the next day he tried the same dodge at Lytton, but failed. Borrowing money appears to be his business and he has visited numerous Iowa towns with a similar tale. At a recent bankers' meeting Mr. Perkins told some of his friends of his experience, to put them on their guard, and last Thursday the swindler called upon Lorne Parker, a young banker at Newell, with his well-worn tale, giving the name of A. B. O'Neal. Mr. Parker put the man in the custody of an officer and notified Mr. Perkins, who promptly drove to Newell in company with Sheriff Criss and County Attorney Currie and brought back the too-frequent borrower and placed him in the county jail. The young man will have his preliminary hearing tomorrow morning on charge of obtaining money by false pretenses. He says he will be able to furnish bond for appearance before the grand jury at the next term of district court.—Sac Sun, Sac City, Iowa.

BANK NOTES

A. P. Christenson has resigned as assistant cashier of the State Bank of Rolla.

* * *

O. H. Rich has resigned as assistant cashier of the First State Bank of Fillmore.

* * *

Brynjolf Prom succeeds D. H. Beccher as president of the State Bank of Milton.

* * *

T. B. Torson succeeds N. J. Romnes as cashier of the Security Bank of Rugby.

* * *

J. A. LaBrant has been elected president and director of the Security State Bank of Banks.

* * *

The capital stock of the First State Bank of Adrian has been increased from \$10,000 to \$15,000.

* * *

On May 25th the Secretary of State issued a renewal of the corporate existence of the Bank of Inkster.

* * *

The preliminary examination of the Tuttle State Bank was made on May 27th by Deputy Examiner E. A. Thorberg.

* * *

Deputy Examiner A. Johannsen made the preliminary examination of the Union Bank of Bantry on May 18th.

* * *

The preliminary examination of the Farmers State Bank of Heil was made on May 6th, 1915, by Examiner G. J. Johnson.

* * *

The preliminary examination of the First State Bank of Parshall was made on May 22nd by Deputy Examiner A. Johannsen.

* * *

The preliminary examination of the Farmers State Bank of Havelock was made on June 2nd by State Examiner G. J. Johnson.

* * *

T. F. McClure, T. B. Torson and H. W. Ellingson have become members of the board of directors of the Security Bank of Rugby.

* * *

G. H. Anderson has been elected cashier of the Farmers State Bank of Almont, N. E. Becklund having resigned to accept the office of vice president.

* * *

Robt. L. Wilcox succeeds W. L. Richards as president of the Dunn County State Bank of Killdeer, William Connolly having been elected vice president to succeed Robt. L. Wilcox, resigned.

* * *

The following changes have been made in the personnel of the officers of the First State Bank of Juanita: P. H. Kirwan succeeds Jas. W. Davidson as president and director; J. H. Kirwin succeeds August E. Raebel as cashier, and C. F. Ross has resigned as vice president and director.

* * *

The following officers have been elected in the Farmers & Merchants Bank of Aneta: H. P. Beckwith, president; L. P. Larson, vice president; C. A. Lowen, cashier; E. H. Lowen, assistant cashier, succeeding E. J. Lander, president; C. S. Dow, vice president; Olaf Aaberg, cashier and H. N. Nubson, assistant cashier.

LEGAL DEPARTMENT

(BY HON. EDWARD ENGERUD)

THIS PAGE WILL CONTAIN OPINIONS ON BANKING AND COMMERCIAL LAW, ANSWERED BY THE ASSOCIATION'S ATTORNEY, AND REFERENCES TO DECISIONS OR QUESTIONS OF BANKING LAW OF INTEREST TO THE BANKING FRATERNITY. MEMBERS HAVE THE PRIVILEGE OF ASKING FOR OPINIONS ON BANKING MATTERS IN WHICH THEY ARE INTERESTED.

No. 619.

Deposit to Joint Owners—Payable to Either Before or After the Death of the Other.

At times you issue certificates of deposit to a man and wife and stamp on same directly after the names of both parties the following:

"Joint owners; payable to either before or after the death of the other."

You desire to know whether or not in case of the death of either party the bank would be warranted in paying the certificate without having the same put into the estate and probated, payment being made to the survivor.

In reply to the above will say that a certificate or other negotiable instrument made out in the form above stated is payable to either of the payees and upon the death of either one is payable to the survivor. The payees in such a case as above stated are *joint* payees and it is one of the elementary principles of law that in case of the joint ownership as distinguished from an ownership in common of anything, the survivor becomes the sole owner on the death of the other. The administrators of the deceased joint owner would have no claims upon the money represented by the certificate.

I note your statement that you wrote me about this a year ago. I have a faint impression that I wrote an opinion on a question of this kind about a year or more ago and your failure to receive a reply may be due either to a miscarriage of my answer to your letter or it may be possible that in some other way your letter has been overlooked by me.

* * *

No. 620.

Payment of Check, Payable with Exchange.

You received in due course from one of your correspondents for collection and remittance two checks, both dated in your town and drawn on another bank in your town.

One check, which we will call No. 1, had a stamp across its face "with exchange."

The other check, which we will call No. 2, had stamped on its face "Payable in any Eastern exchange if desired."

In accordance with your instructions you presented the checks to the drawee bank and demanded the face of the checks plus ten cents exchange in cash. The drawee bank offered to pay the face of the check but refused to pay the exchange.

You desire to know whether or not you were entitled to the exchange on these checks.

The question is a difficult one because there are few decisions directly in point and such decisions as there are are not in complete harmony.

The question has always arisen so far as I can find in cases involving the question as to the negotiability of instruments stipulating for exchange.

On that question there is a conflict of decisions; but the majority of Courts hold that a stipulation for exchange destroyed negotiability. The North Dakota Supreme Court several years ago held that the stipulation for exchange destroyed negotiability. *Flagg vs. School District*, 4 N. D. 30. The new negotiable instruments law, however, which was adopted in this state since the above decision expressly provides that a stipulation for exchange does not destroy negotiability.

But in nearly all the cases on the subject the stipulation for exchange provided for exchange at the place of payment on some other designated place. For example a note or bill of exchange payable at *Fargo with exchange on New York*.

A few of the cases, however, were cases where the instrument simply said "with exchange." Naming no place on which the exchange was to be.

In most of such cases the decisions have been that the words "*with exchange*" were meaningless and should be disregarded. The words were held to be meaningless because an instrument calling for the payment of a stated sum at a stated place would be satisfied by the payment of that sum in any legal tender money; and there being no stipulation designating any other place to which the exchange was to be paid the words "with exchange" meant nothing. It has been so held in Illinois, Missouri, Michigan and New Mexico.

In the two or three cases that I can find where it is held that the words "with exchange" alone destroyed negotiability, the distinction above referred to between "with exchange" and "with exchange on New York" or some other place was apparently not noticed.

In *Flagg vs. School District*, 4 N. D. 30, the instruments in question were payable at St. Paul "with exchange on New York."

I think the distinction above referred to is clear and sound and that the North Dakota Courts would hold, if the question ever arises, that the words "with exchange" in check such as your No. 1 is meaningless and should be disregarded.

With respect to your check No. 2 the situation is different. That check contains the stipulation "Payable in any Eastern exchange if desired."

This was in effect an agreement that the holder of the check should be entitled to demand either the cash called for by the check or a draft for that amount on some eastern bank in the usual eastern money centers of the country, such as Chicago, New York, etc.

In other words, the holder is given the option to demand the cash or an eastern draft for the amount. The cost of the draft, if that is demanded, would be charged to the account of the drawer of the check.

I return the two checks herewith.

No. 621.**County Seed Grain Liens.**

I have yours of the 10th relative to County seed grain liens.

I have not seen the recent Supreme Court decision on this question, but expect to have a copy in a day or two and when I get the copy I intend to write up a resume of the decision and have it published in the Bankers' Magazine. I assume that the decision holds that a County seed grain lien is inferior to the lien of a real estate mortgage on the land. If that is what the Supreme Court has held it will coincide with the several opinions which I gave on this same subject last year and which were published in the Bankers' Magazine.

I do not quite understand how your County Auditor came to include in the same tax sale the lien for seed grain with the regular tax liens. The proper procedure in case of failure to pay such a County seed lien appearing on the tax lists against the debtor's land was to offer the land for sale for the regular taxes and issue a certificate for such sale and then offer the land for sale for the seed grain lien separately, issuing a separate certificate therefor. The certificate of sale for the County seed grain lien would be an inferior lien to that for the regular taxes and would also be inferior to the lien of any prior encumbrance on the land by way of mortgage or otherwise, taken before the seed grain lien attached.

The inclusion of the seed grain lien in the same sale with the regular taxes would invalidate the tax sale certificate. The purchaser at the sale for the seed grain lien, in case the land was encumbered by a prior mortgage, would acquire a right to the land subject to the mortgage and in case of a foreclosure of the mortgage would have to redeem from the mortgage or lose his lien, while the holder of the regular tax sale certificate for the ordinary taxes would have a lien superior to the mortgage and the mortgagee would have to redeem from the tax sale certificate.

Your recourse, in case of an irregular tax sale such as you mention, against the County is prescribed by Section 2200 Compiled Laws 1913, being Section 1585 Revised Code 1905. You would not be entitled to a refund from the County until a judgment had been entered in an appropriate action adjudging your tax certificate void.

You also state that in some cases you foreclosed and received Sheriff's Deed and also hold tax sale certificates, which include these seed grain liens. In such case I am disposed to think that the Courts would hold that you are not entitled to a refund of the regular taxes included in the tax sale certificate which you bought, as the Court would treat that as a payment of such taxes by you, but I am also inclined to think that the Court would hold that you would be entitled to a refund of the sums represented by the seed grain lien included in such payment. This question, however, is debatable. It may be that the Court would treat you in all respect as a tax sale purchaser and order the refundment of the regular taxes paid by you, if otherwise valid, would be re-imposed upon the land and would take precedence over your rights as a purchaser at the foreclosure sale, but the seed grain lien would not be re-imposed, or rather would be held to have been cut out by the foreclosure.

* * *

No. 622.**Paying Draft Against Shipment of Livestock.**

You ask my opinion as to the safety of paying a draft with the bill of lading attached covering a car-

load of stock to market. This is more of a question of business practice and prudence than a matter of law. I do not think that my opinion on the subject would be of any more or as much value as that of a business man.

The transfer of the bill of lading would be regarded in law as a transfer of the right to the proceeds of the property described in the bill of lading and would entitle the bank to receive from the commission house to whom the property was shipped the proceeds of the sale thereof.

The way in which shipments of the kind you mention are ordinarily made is what is commonly styled the "order notified" shipment. The shipper consigns the property to himself with directions to notify the commission house; the railroad then unloads the property at destination, notifying the commission house, and will not surrender the property until the presentation of the bill of lading. As I understand it this practice is no different with respect to livestock than it is with respect to other property. The stock is, of course, unloaded at the stockyards and until taken over by the party having the bill of lading is kept and cared for by the railroad company, the charges for doing so being added to the transportation charges.

I understand, however, that at the terminals it is a common practice for reputable commission houses or merchants to make an arrangement with the railroad companies whereby the commission house puts up a bond for each year's business for the protection of the railroad company and the railroad company then will surrender the property transported without insisting on payment of the charges, etc., being protected by the bond; and, therefore, if such a commission house would obtain property covered by such a bill of lading as above mentioned and did not pay the draft with bill of lading attached, the shipper would be indemnified by the railroad company and the latter would hold the bond.

I understand such a transaction as you mention to be a very common practice and such drafts with bill of lading attached are ordinarily considered to be entirely safe.

I do not think there is any danger of the commission house paying the proceeds of the sale of the property over to the original shipper where the shipment was made in the "order notify" form and a draft drawn against same. The draft would reach the commission house long before the stock was unloaded and sold and the commission house would not be likely to pay over the proceeds of the sale of the property unless they had obtained the bill of lading, and they could not get the bill of lading until they had paid the draft.

If the stock was destroyed or injured in the course of transportation by a wreck or other fault of the railroad company, the railroad company, of course, would have to make good the loss, and as stated above, where you have advanced the money on a draft with bill of lading attached you would be entitled to receive the money from the railroad company.

* * *

No. 623.**Opinion as to Forms of Chattel Mortgage Submitted.**

You submit a couple of blank forms of chattel mortgage and desire my opinion with respect to them. One form contains the clause, which, after designating the specific debt secured, provides further "and also for the further purpose of securing the payment of all future money advances made within one year from date hereof to said mortgagor." Form No. 1 after



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KELLER & BOYD, Proprietors

describing the debt secured provides further "And any other note or debt due by said mortgagor, whether such be a renewal hereof or not." As between the mortgagor and mortgagee the clauses above quoted are probably valid, subject perhaps to certain limitations. As against third persons, however, such a clause would not have any effect to secure any debt accruing after the rights of third persons in the property has accrued.

The clause in Form No. 1 above is broader in its language and, therefore, if such a clause is to be included in a chattel mortgage it is better to have it as broad as possible. I would, therefore, say that the stipulation in Form No. 1 is the preferable one. In Form No. 1, after describing the property covered by the chattel mortgage it provides further "and all increase of the above described stock and increase of said increase."

The above clause also is valid as between the mortgagor and the mortgagee and would hold the increase during the period of nurture but after that time would have no effect as against subsequent purchasers or encumbrancers whose rights attach after the period of nurture of the increase had ceased.

* * *

No. 624.

**Transfer of Note Transfers Chattel Mortgage
Accompanying Same. Maturity of Demand Note.**

You ask if an endorsement on a note for the purpose of assigning the note will also assign the mortgage securing it, providing the chattel mortgage has not been filed. In answer to the above will say that

the transfer of the note or any other evidence of debt secured by either a chattel mortgage or a real estate mortgage, transfers the mortgage. This is so because a mortgage always follows the debt and whoever owns the debt necessarily owns the security. It is immaterial whether the chattel mortgage has been filed or not.

You also ask when a demand note is considered past due.

A demand note is payable whenever the holder of it sees fit to demand payment. There is no fixed time when such a note is held to be past due. The law is very indefinite on this subject. The ordinary rule is that a demand note is supposed to be called in within a reasonable period and is supposed to represent only a temporary accommodation. I have understood that amongst bankers ordinarily a demand note is expected to be paid within sixty days although my information on this subject is not very definite or extensive. I would say, however, that a demand note which has run for more than sixty days would ordinarily be considered past due.

* * *

No. 625.

Rights of "Purchaser in Good Faith" of Bill of Exchange on Which Payment had Been Stopped.

A gave a check to B for membership in a supposed farmer's organization. B endorses the check to C, but before C presented the check to the bank for payment A had stopped payment of the same, having concluded that the proposed organization was a humbug. You desire to know if C can compel A to make the check good.

In answer to the above will say that a check is a bill of exchange and consequently may be transferred by endorsement and the endorsee if he takes it in good faith and for value in the ordinary course of business before the check has been dishonored is in the same position as a good faith purchaser of a promissory note before maturity and is protected against any defenses as between himself and the maker and prior endorsers. While A had the right to stop payment on the check at any time before its presentation to the bank regardless of who held it, nevertheless if C purchased the check in good faith for value the latter can sue A on the check and make A pay it.

* * *

No. 626.**Rights to Rents and Profits During Year of Redemption.**

You foreclosed a mortgage on a tract of real estate last fall and hold a Sheriff's Certificate, the time for redemption from which will expire Nov. 16, next. The mortgagor is occupying the premises and put in a crop this spring. You desire to know if you have the right to the crop and if you have how you should proceed to obtain it.

In reply to the above will say that you have no right to the crop or any part of it. The statute gives you as such certificate holder the right to recover the rents or profits or value of the use of the land during the year of redemption in case there is no redemption. In cases where the mortgagor occupies the premises and consequently there is no leasing contract, your only right is a personal claim against him for the value of the use of the premises. The only case in which you can recover part of the crop is where the land might be rented on shares, in which case the share of the crop due the landlord would represent the rent and you could recover it by the usual process.

* * *

No. 627.**"Nothing Doing."**

From your statement of the facts I am unable to comprehend on what ground C, the prior lienholder, could have any cause of action against D. The fact that D redeemed the land in no way prevented C from redeeming and C could have redeemed without paying D's claim. I suspect that there must have been some other fact or circumstance which you did not disclose in your letter, which caused the Court to give a judgment in C's favor against D.

I may say, however, that this is not a proper case for an opinion on from me. It is a case pending in Court and it would hardly be proper for me to undertake to publicly discuss the merits of the case pending in Court.

* * *

No. 628.**Forms of Chattel Mortgage.**

You ask for my opinion as to the relative merits of two forms of chattel mortgage, copies of which you enclose, one being on white paper and one on pink. There is really little or no difference in the legal effect of either form of mortgage. The pink form contains the additional stipulation that the mortgage is security for "any other note or debt due by said mortgagor whether such be a renewal hereof or not."

This clause is capable of being enforced to a limited extent and might in some circumstances prove of value.

The clause in the pink form to the effect that the mortgagor gives a lien on the real estate and the use rents and profits thereof, I do not think is any good. A chattel mortgage containing such a clause came be-

fore the Supreme Court of this state several years ago and in that case was held of no effect. I may say, however, that in the presence of such a clause in a chattel mortgage would not invalidate the rest of the mortgage as a chattel mortgage. The clause in the pink form to the effect that the mortgaged property may be sold at public or private sale without notice to the mortgagor is of no effect. The mortgagor cannot at the time of giving the mortgage stipulate away his right to have the property sold by regular foreclosure proceedings in case of default, except that in case of mortgage on crops the parties may stipulate that in case of default the mortgagee may take the crops and market them in the usual markets if the parties agree. You will find a clause to that effect in the chattel mortgage on the white form. I suggest, therefore, that you use the pink form and add to it the clause found in the white form relative to selling crops without public sale.

* * *

No. 629.**Right of Bank to Charge Past Due Note to Account of Guarantor.**

You discounted a note of \$200 for one of your customers, the party discounting it endorsing thereon his guarantee of payment with the usual form of waiver of protest, etc. The note was not paid at maturity and you desire to know if you can charge the note to the account of your customer for whom you discounted it.

Under the circumstances stated by you the guarantee on the note makes the guarantor, who I assume to be the party who discounted it, liable to you for the amount of the note, and the note being past due you have the right to charge it to the account of the customer. You should, of course, notify him of the fact. Upon so charging the note to the account of the customer the note should be returned to him as he would have a right to collect it from the maker.

Under the common law as well as under the statute the bank has a lien on the customer's account for any debt due from the customer to the bank, and this authorizes the bank to charge the debt to the customer's account when the debt is past due and unpaid.

The above answers your further inquiry as to whether or not you would be liable for dishonoring the customers' checks presented after you had charged the note to his account, thus reducing his balance below the amount of the checks presented thereafter. You having the right to charge the note, of course, would not be liable for the dishonor of checks drawn when the balance is not sufficient to pay them. As stated, however, you should immediately notify the customer of the fact that you have charged the note to his account.

Your right to charge the note as above stated would be precisely the same if the note had been discounted to you with endorsement in blank and you had taken the proper steps to charge to the endorser. In other words, the endorser is liable directly to you, and it being a debt to you you can charge it to his account.

* * *

No. 630.**Negligence of Correspondent Bank.**

You hold a C. D. for \$5,000 against another bank in a distant part of the state which was due April 24, 1915. On April 23, 1915, you sent the C. D. to one of your correspondent banks for collection in the ordinary course and that bank credited the same to your account. You did not turn over the proceeds of the C. D. to the customer presenting the same to

your bank for a period of twelve days; you waiting that length of time in order to make sure that the C. D. would be honored upon presentation. After waiting twelve days and hearing nothing further from it you assumed that it had been honored and thereupon paid the proceeds over to the party who had deposited it. On May 12th you were notified by your correspondent bank that the C. D. was still unpaid and that it had charged it back to your account.

My understanding of the law is that when you send an item for collection to a correspondent bank it is bound to use reasonable diligence in presenting it for payment and notify you promptly in case it is dishonored. It is apparent from your statement that twelve days was more than ample time in which to present the C. D. for payment and notify you in case of its dishonor; it being apparent that the C. D. must have reached your correspondent on the day it was due, and it would consequently be its duty to forward it immediately for presentment to the issuing bank. In the ordinary course it should not take over three or four days to find out whether or not the C. D. would be honored. On the face of it, therefor, I would say that your correspondent was grossly negligent, and you having waited twelve days for notice of its dishonor in case that occurred, you had the right to assume that the item was honored and act accordingly. For these reasons I do not think your correspondent had any right to charge the item back to your account.

* * *

No. 631.

Stopping Payment of Draft in Hands of Innocent Purchaser.

You sold a draft for \$190.00 to one of your customers who used it in part payment of a purchase of merchandise. Upon receipt of the merchandise the buyer found that he did not receive the quantity agreed upon and notified you to stop payment on the draft you had issued him, and you in turn notified the holder of the draft that payment had been stopped. You desire to know if it is possible for you to stop payment on the draft after the payee of the draft had endorsed it over to an innocent party.

In answer to the above, will say that you can, of course, by notifying the bank upon which the draft was drawn, stop payment on the draft. In doing so, however, you would assume the risk of being able to establish a good defense against the enforcement of the draft by the holder of it. In other words, you would assume the burden of establishing the defense which the original purchaser of the draft claimed to have against the recovery of the price of the merchandise he bought, and would thus be taking over his law suit. A draft is a negotiable bill of exchange, and if payment is stopped by you on the draft you become liable the same as any maker of a negotiable instrument. If the instrument had passed into the hands of an innocent holder he could of course recover from you the amount of the draft in costs, regardless of whether there was a good defense against the draft in the hands of the original payee. Even if it had not been transferred into the hands of an innocent person, the holder could enforce the payment of the draft against you unless you could establish a good defense. The only safe way to proceed in such circumstances as you mention, would be to require the original purchaser of the draft to give you ample security to protect you against any costs, damages or expense in connection with a suit on the draft before you stop payment on same.

No. 632.

Suit to Enforce Payment of Subscription Assigned to Third Party.

A person who had a deposit account with you had previously signed a subscription to some enterprise. This subscription was assigned to you as collateral for some advances you had made to the party in whose favor the subscription was made. This party brought suit on this subscription against the subscriber and garnished the bank, agreeing to turn the money recovered by the garnishment over to you.

I take it from your letter that the subscription list of which the above was part, was turned over to you for collection, and it was verbally understood at the time that the sums collected should be applied to the credit of the party holding the subscription on a debt he owed you.

Under the circumstances stated, it might be urged with considerable force, that the party bringing the suit had not title to the subscription; that he had transferred the legal title to you to be held as a security, and consequently that the suit ought to have been brought in your name. I think, however, that the objection would not be well taken, because it seems to me that when you permitted him to bring suit and garnish you, and made no objection in your garnishment, or otherwise, to the bringing of the suit, you have in effect waived your claim of title, and have thereby permitted the title to revert to the original promisee.

I may say, however, that the question as submitted above is a question of legal procedure, rather than a banking question.

* * *

No. 633.

Should Check on which Payment had been Stopped be so Marked?

It seems that payment had been stopped by the drawer on a check drawn by a customer of your bank on his account with you. You desire to know whether or not that on the presentation of a check it is proper for you to write across the face of it in red ink or otherwise, the words, "payment stopped" so as to prevent the check from passing into the hands of innocent parties and perhaps later, through oversight, being cashed by the bank itself. You also desire to know that if the check having been presented passed by endorsement from the payee to a third person would make any difference; and in this event, will the payee or other endorser have any grounds for refusing payment to the last holder before presenting it.

In answer to the above will say that I can see no objection on your writing across the check the warning you mentioned. In my opinion, it would be entirely proper to do so. The fact that the check had been transferred by endorsement before presentation, will make no difference in the above proposition, and will not affect the obligation any of the endorser prior to the last holder to make them or their several endorsements.

* * *

No. 634.

Protest of Township Warrant Under Instructions.

A township warrant was sent you by a Minnesota bank for collection, with instructions to protest if not paid. The warrant was presented for payment and refused for lack of funds. You accordingly had it protested. The bank remitted you the protest fees; but is now writing you that its customer claims that

promissible warrants, such as this are not subject to protest fees and requests you to return the protest fees. You desire to know if they are entitled to such return under the circumstances.

In response to the above will say that warrants for public funds are not negotiable instruments in the true sense of that term, and consequently are not required to be protested for dishonor.

However, the Minnesota bank instructed you to have them protested, and you have, in following their instructions, become entitled to reimbursement for whatever the protest costs. It is simply the ordinary case where a principal has directed his agent to do an unnecessary act. The agent has followed instructions and is entitled to his pay whether it is necessary or not.

* * *

No. 635.

Liability of Bank on "Original Promise" to Pay Check.

You submit the following: "'A' a depositor and customer of a bank known as 'B' located in North Dakota, goes to South Dakota and purchases an auto from 'C', giving his check on 'B' for the purchase price of the auto, 'C' presents the check to his bank in South Dakota for payment and requests his bank 'D' to phone bank 'B' to ascertain whether or not the check is good; bank 'B' states the check is good; 'A' after the phone message, and before the arrival of the check, notifies bank 'B' and stops payment on the check, owing to misrepresentations made by 'C' in regard to the auto. The check arrives at bank 'B' in due course of business and is protested. Has bank 'D' any recourse as against bank 'B'?"

In reply to the above will say that the bank "B" is in no way liable under the circumstances stated above. You will find this same question discussed in one of my previous opinions, No. 480. A verbal statement by a drawee bank that a check is good, is not a certification of the check. A check can only be certified in writing. There is therefore no liability so far as certification is concerned. It is only in very exceptional circumstances that a drawee bank could be held on a verbal statement that a check was good, made before the presentation of the check. The statement would have to be made under such circumstances as to amount to a fraudulent representation or an original promise. In order to have an original promise under such circumstances, the bank of whom the inquiry was made must be aware of the circumstances under which the check was drawn, and those circumstances must be such that the acceptance of the check by the payee was induced by the assurance of the drawee bank that the check would be honored when presented, and a drawee bank gave the assurance that the check would be honored knowing that the payee was going to accept the check on the strength of the assurance and would part with value in reliance upon the drawee bank's assurance that the check would be paid.

In such a case the drawee bank might possibly be held as an original promisor.

I can say, however, that the Court holds that a drawee bank could not be held under any circumstances on a verbal statement such as above specified.

Those Courts held that the only way a drawee bank could be made liable on a check is by some written statement amounting to a certification.

Charter was issued on June 3rd to the Citizens State Bank of Antler.

BANK NOTES.

W. E. Feeney succeeds H. W. Hansch as president of the Citizens Bank of Kenmare.

* * *

John Dolwig succeeds Julius Hollst as president and director of the Gladstone State Bank.

* * *

A. W. Gray and Sadie L. Gray have resigned as directors of the Citizens Bank of Kenmare.

* * *

E. C. Brundige succeeds J. F. McEntee as cashier of the Farmers & Merchants State Bank of Bowdon.

* * *

Application for charter for the Farmers State Bank of Belfield was approved by the Banking Board on May 24th.

* * *

Application for charter for the Citizens State Bank of Epping was approved by the Banking Board on May 24th.

* * *

C. H. Simpson and associates of McVile, N. D., have recently organized the Security Bank at Temple, N. D. Capital \$10,000.

* * *

Charter was issued on June 18th to the Lefor State Bank, capital being \$10,000. The incorporators are Adam Lefor, Frank Lefor and Joseph Lefor.

* * *

The Dunn County State Bank of Manning has been removed to Kildeer. The capital stock of this bank has been increased from \$10,000 to \$25,000.

* * *

Application of T. F. Marshall, H. C. McCartney and F. D. McCartney, all of Oakes, for a charter for Guelph State Bank, has been approved by the Banking Board.

* * *

The Hebron State Bank has been converted into the First National Bank of Hebron, with a capital of \$25,000.

* * *

Application of A. E. Sevaried, A. O. Anderson and J. T. Aaker of Velva, for a charter for the Farmers State Bank of Simcoe was approved by the Banking Board on June 1st.

* * *

Charter was issued on June 18th to the First State Bank of Hague, the capital being \$10,000. The incorporators are S. A. Fischer, Joseph Dillman and Conrad Erck, all of Strasburg.

* * *

The application of John H. Digby of Seattle, Washington, and Leslie F. Digby and others of Sanger, N. D., for a charter for the Farmers Exchange Bank at Sanger was approved by the Banking Board on May 24th.

The Trenton Chamber of Commerce has a motto which reads: "Get acquainted with your neighbor—you might like him." The spirit of community interest—that which makes for the building of town and country—rings in every word of this simple little sentence.

The following certificates issued by the State Bank of Oriska in favor of Theodore Heinze, have been lost or stolen: No. 2189 for \$650.00 and No. 2190 for \$800.00. Please notify the Secretary's office promptly if these certificates are presented for payment.

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President Hennepin Paper Co.

E. L. CARPENTER
Shevlin-Carpenter-Clarke Co.

THE YEAR'S RECORD

Insurance in force	- - - -	\$31,842,869.00
	Increase, \$1,949,342.00—7%	
Assets	- - - -	\$ 3,955,478.63
	Increase, \$316,003.79—9%	
Surplus and Contingent Fund	- -	\$ 430,520.32
	Increase, \$73,783.15—23%	
Amount apportioned for Divends to Policyholders	\$	98,712.86
	Increase, \$23,993.78—32%	
Paid Policyholders since organization	-	\$15,400,175.98

Second in point of production of all the Companies operating in North Dakota last year.

\$1,156,700.00 loaned on North Dakota farms, and placed through North Dakota bankers.

We have a proposition of unusual merit and attractiveness to North Dakota bankers.

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